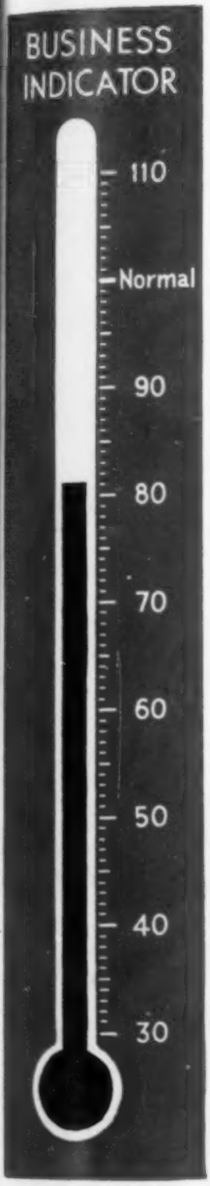
APRIL 8, 1931

THE BUSINESS WEEK



The beginning of the second quarter brings no break in the monotonous movement of business along the bottom on which it has been bumping for five months . . . . The spring stimulus has been scarcely more than seasonal, and our index, after allowance for this factor, so far shows no certain sign of rise from a level about 20% below normal . . . . Steel has lost a little of its momentum, as it usually does after March, automobile output is increasingly cautious, and electric power production reflects little growth in general industrial activity. But construction is encouragingly active, and car loadings suggest an increasing movement of merchandise for spring trade . . . . Best of all, the drought is routed and crops are promising . . . . But declining stock and commodity prices, weakening bond markets, and chronic credit contraction show continued lack of business and banking confidence here and abroad . . . . Although a critical period for early business recovery is approaching there is still no hint of any major move to hasten it . . . . With all Europe embarked upon an international "race for starvation" through wage-cutting, and our financial interests still seeking salvation overseas rather than in domestic development, American standards hang in the balance and need bracing with a bit of business backbone.

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What's In This Issue —And Why

Anti-Trust

TRADE practice codes are not going to be destroyed, nor trade associations crippled. The government is not on a business-busting rampage. An authoritative interpretation of federal policy. *(page 5)*

OIL men find the Federal Trade Commission more liberal than they had anticipated in their first excitement when their code was withdrawn. *(page 7)*

SUGAR INSTITUTE members say they have acted under a strictly legal code; the government says they have gone far beyond it, and sues. *(page 7)*

Rails Steady

BEAMS may rise and sheets may fall, but rails go on forever at $43 a ton. Such stability arouses governmental curiosity. *(page 6)*

A. & P.

THE great grocery chain forges new links in the Pacific Northwest. *(page 11)*

Gate Receipts

WASHINGTON now feels the depression. To offset falling tax payments, it must borrow, increase taxes, or—like the rest of us—cut expenses. *(page 12)*

Kaffee Klatsch

BRAZIL calls an international conference to discuss the dark brown outlook. *(page 18)*

Ford Abroad

TUNNELING tariff walls, leaping depression ditches, Ford's foreign operations came home 10% to the good in 1930. *(page 20)*

Trains vs. Trucks

PACIFIC COAST railroaders find real adversaries in Pacific Coast truckmen. No local expressmen, these, but well-organized operators, with fast-freights and schedules of their own. *(page 24)*

Russian Rumbles

SOVIET oil is spreading; Soviet cotton makes its presence known in the markets. *(page 34)*

The Travel Market

STEAMSHIP companies plan joint advertising to sell travel in bulk, not ships or lines. *(page 30)*

JAPAN's biggest shipping companies feel the merger urge, may pool their resources. *(page 32)*

Big Banking

THE top 92 banks control 42% of the resources; the infinitesimal minority—0.3% of the total number—has an infinite influence. *(page 13)*

Oil Immigration

THE Oil Conservation Board persuades importers to accept a quota; their efforts to conserve national resources by imports were once cheered by the same board; they are a little confused. *(page 8)*

Adv.

SUCCESS of the talkies as an advertising medium depends on whether advertisers can get enough selling into them to get business out of them—without losing good will. *(page 14)*

Building

HOW many men in a building program? The answer translates dollars widely appropriated into unemployment actually relieved. *(page 16)*

Civil War

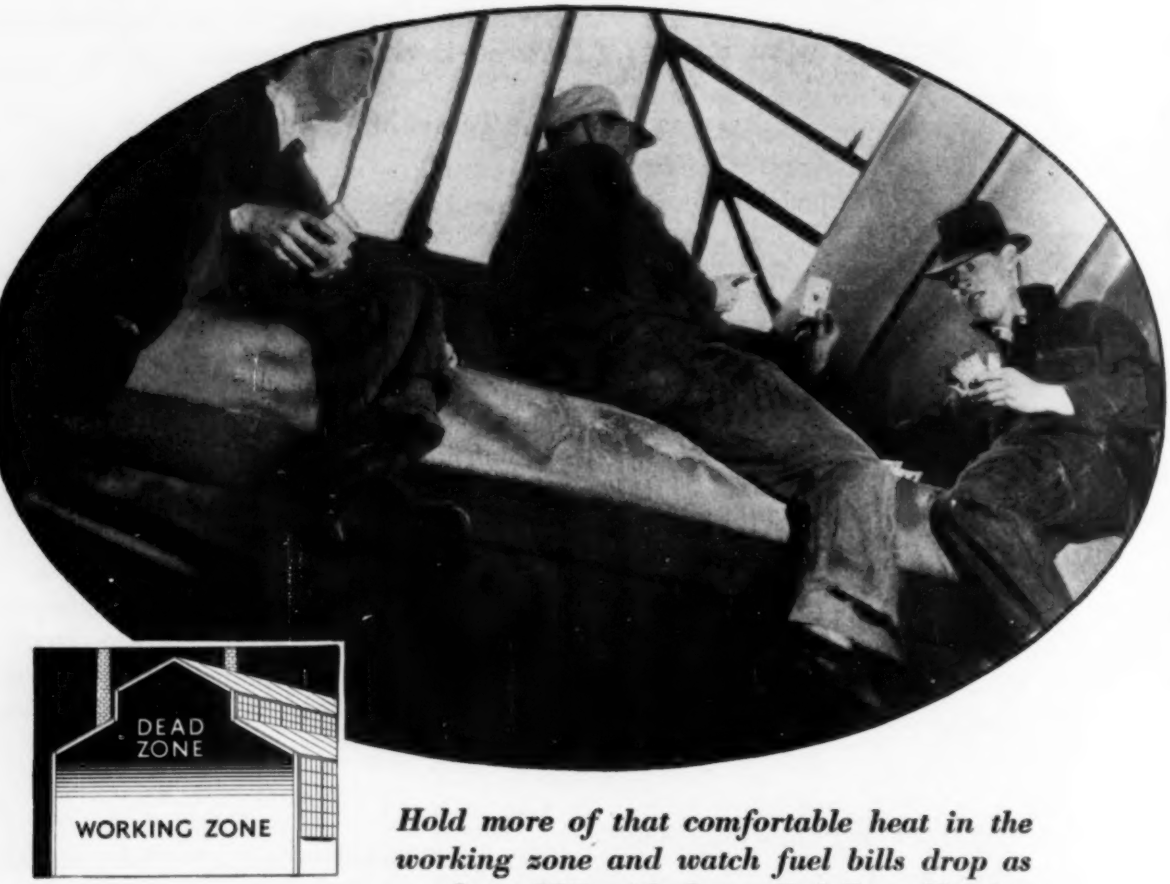
CEMENT makers, ready to go over the top in the big spring construction advance, fall to cutting prices. Buyers take full advantage of the quarrelling in the ranks. *(page 9)*

Spring Rumors

AUTOMOBILE men are busy around the drafting boards; new models, new features (free-wheeling, for one) are due. *(page 22)*

Does your factory go in for

COZY RAFTERS?



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TO OVERHEAT the dead zone in your factory is expensive, especially when you *can* put and hold the greater part of the heat right where you need it —in the working zone.

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HEAT-DIFFUSING UNITS

HOLD MORE HEAT IN THE WORKING ZONE

THE BUSINESS WEEK

The Journal of Business News and Interpretation

News of the week ending April 4, 1931

Trade Practice Code Troubles Are Growing Pains, Not Serious

Business is needlessly alarmed, says Washington, the government is not bent on destruction

OFFICIAL Washington believes business men view with too much alarm the present anti-trust suits and the trade practice code revisions.

Neither the Federal Trade Commission nor the Department of Justice is bent upon crippling the usefulness of trade associations or their codes. Both arms of the government believe these cooperative efforts have great value, and should be fostered.

The Federal Trade Commission makes few and meager statements of policy. The Department of Justice makes none. But the discussion of the government's policy here presented may be accepted with confidence as authoritative.

Unwarranted Fears

Feeling seems to be widespread that the work of building up sound trade practices, begun under Mr. Hoover as Secretary of Commerce, is being completely demolished.

The Washington view is that the excitement is unjustified. When the dust settles, all the substantial good will remain. Nothing will be wiped out that could ever have stood a court test. If business thought that through trade practice codes it could get a binding O.K. on procedure that went beyond the boundaries of the Sherman Act, business was deceiving itself and the sooner this misapprehension is cleared away, the better. Perhaps some regulation of production—which means some measure of price-fixing—should be permitted in behalf of the general welfare. But the way to accomplish that is through Congressional enactment. The fundamental law must be changed. Any scheme to curb full competition is utterly futile so long as the basic law stands as is.

In recent investigations and prosecutions, the government is not embarking upon a program of corporation-baiting. Prosecutions are launched only when the government believes, rightly or wrongly, it has convincing evidence of flagrant restraint of trade. It can be taken for granted there have been numerous complaints to prompt the original investigation in any such case.

Just Growing Pains

Present difficulties of the trade associations are regarded as growing pains. The Federal Trade Commission, without explicit warrant in the Clayton Act, but by implied authority, developed the trade practice conferences. Codes worked out by the many industries were submitted, and approved.

Some time ago, the commission reached the conclusion that many of the innocent-looking trade rules it had approved were being used as cover for practices that represented, to put it cautiously, a strained construction of the codes. It decided to review and revise them all. The job has been completed for about 100 codes.

Model Rules

A model set of rules has just been announced, as a type of what will be approved in future. Its definition of unfair trade practices includes: (1) Secret rebates or discounts or privileges. (2) Price discrimination. (3) Maliciously inducing the breach of contracts between competitors and their customers. (4) Selling below cost to injure a competitor. (5) Commercial bribery. (6) Defamation of competitors. (7) Maliciously enticing away competitors' employees. (8) Delivering goods below sample. (9) False advertising or misrepresentation. (10) Shipping on consignment. Nos. 1, 2, 3, 4, 7, and 10 are unfair when the intent and effect may be to injure a competitor, or may tend to lessen competition substantially, or unreasonably restrain trade.

By this same public announcement, the commission laid to rest the current rumor that it was abolishing Group II rules. The commission does not enforce Group II rules; it acquiesces in them, but it was under Group II that most abuses sprang up.

Chief gains under the trade practice conferences and the activities of trade associations, Washington believes, are intangible but great. They are: focussing of discussion on industry problems, development and crystallization of industry opinion and morale, the compilation and dissemination of information.

It's All Education

All this is summed up as education. The more fully the members of an industry are persuaded of their interdependence, the more of the facts about the industry they know, the greater will be the stability and the higher the ethics of the group.

The advance made along these lines as fostered by the Trade Commission is regarded in Washington as the most important development in American business in the past decade.

Many business men, and their associations, are asking, "Well, we are stopped along many lines that we thought were permissible. Just what *can* we do cooperatively with competitors?"

Permitted Activities

The answer is: Complete exchange of statistics is permissible—including stocks, production, costs, sales, prices, on closed transactions.

Exchange of information on asking prices is legal, but arouses suspicion. The Supreme Court once commented that it seemed suspicious to see "competitors" baring to each other the "intimate details" of their businesses.

Unfair trade practices can be defined, and the Federal Trade Commission will enforce the rules.

Developing Morale

Most valuable of all, an educational campaign over the space of years can develop a high morale, an intelligent approach to problems, and can effectively discourage unsound practices. Beyond this, cooperative research and cooperative product-advertising can do great good.

Whether an agreement not to sell below cost is legal, or a violation, is

doubtful. It is on the border-line, and there are no decisions.

The Department of Justice has been criticized because it has accepted so many consent decrees instead of trying anti-trust cases so that a body of decisions would build up, clarifying many points of law.

The answer is that the Attorney-General never has suggested a consent decree. It is always the defendant who asks to be allowed to sign one. In such event, the government has no alternative—the defendant concedes every point at issue.

Triple Damages

The reason is interesting. Should the government win a verdict under the Sherman Act, that verdict is prima facie evidence in any damage suit brought against the violator thereafter, by any person, say a wholesaler or competing manufacturer. And the law calls upon the jury to assess the damages caused by the illegal act, then the court multiplies by three. But a consent decree, if entered before testimony is offered, is not evidence in such a suit. Hence defendants are not going to trial unless very sure of their innocence.

The Sugar Institute asserts it welcomes a trial. The Petroleum Institute insists it will fight for the right to proceed under its code. But the oil men preferred a consent decree in California.

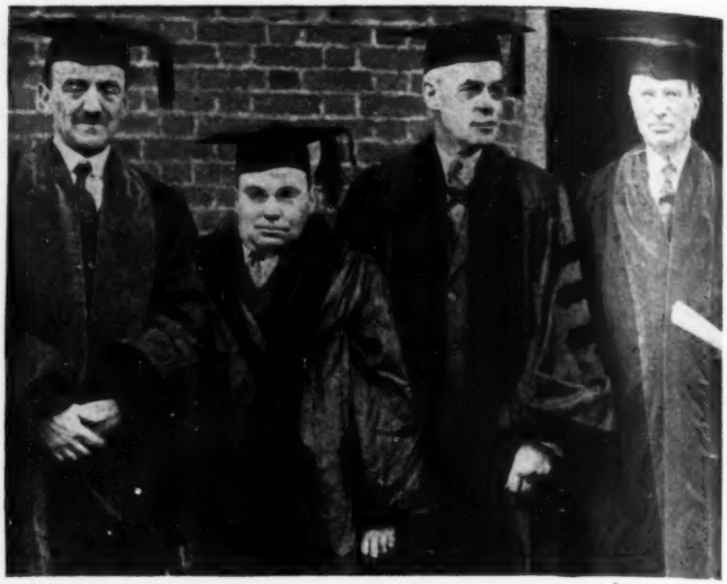
Packers' Case Is Put Up to Supreme Court

THE government has filed its promised (*BW—Apr1'31*) appeal from the modification of the packers' consent decree.

Modification of the decree opened several legal questions the Department of Justice feels should be adjudicated by the highest court. Chief among them is the authority of the lower court to destroy a decree to which the government is a party, at the request of but one party to the agreement.

The packers relied upon, and the court was persuaded by, a showing that economic changes have taken place, and that there is no longer danger of a monopoly in the field of food distribution.

The government denies the economic changes are sweeping enough to warrant modification, and will suggest that if there is no packer monopoly, it may well be because the packers have been under this injunction for these many years.



International News

DOCTORED—*The Wharton School of Finance and Commerce of the University of Pennsylvania celebrated its 50th anniversary, awarded honorary doctor's degrees to (left to right) Dr. L. S. Rowe, director of the Pan-American Union; George F. Rand, president, Marine Trust Co. of Buffalo; Henry N. Woolman, Philadelphia business man, trustee of the University; Daniel Willard, president of the Baltimore & Ohio*

Curious Stability of Rail Prices Interests Government

PRICES of steel beams, plates, sheets, rods rise and fall with the market. But not the price of rails. Rails have been \$43 a ton for 9 years—50% above pre-war prices.

This aroused the curiosity of F. J. Lisman, New York banker. He aroused the curiosity of Senator Couzens, chairman of the Interstate Commerce Committee. And now the Department of Justice is inquisitive, too.

Some Obvious Facts

It will not have much trouble discovering that rail prices never change, and are uniform at every mill. But to disclose a conspiracy, and if so, who conspires, would be a much more difficult job.

"Possibly the high price of rails," says Mr. Lisman, "may be due to the anxiety of all the large railroads to stand well with the big steel companies, in order to get a share of their freight tonnage."

The implication in Mr. Lisman's statement that the railroads are too timid to bell the cat, becomes, in Senator Couzens' mouth, a charge that there must be some collusion between the railroads and the steel companies.

Said Senator Couzens:

"I am informed the railroads have been paying \$43 for steel rails, while other steel products have been reduced on an average by 20%. I am informed that approximately \$90 millions (a year) have been spent by the railroads for steel rail and had that been reduced by the same percentage as other steel products, the saving by the railroads would have been \$18 millions. The fact that all companies seem to have been charging the railroads \$43 would make it appear that there must have been some collusion between the railroads and the companies."

A Long History

Except during the war, there has never been any unison in the movement of quotations on rails, beams, and plates. The price of rails was stabilized in the fore part of the century. For the first 8 years, \$30 was the base price for open-hearth, the quotations on beams and plates being 18% higher than those for rails. During the next 7 years when plates and shapes were on a generally lower level, no adjustment was made in the price of rails. During 1918, 1919, and 1920, the government fixed a price for shapes and plates above that for rails. In the deflation follow-

ing the boom of 1920, quotations for structural materials dropped from $70 to $30 a ton early in 1922, and two cuts in the base price for rails brought that figure down from $57 to $40. The price was boosted to $43 Oct. 1, 1922, and has remained at that figure since then. The railroads have shifted from Bessemer to open-hearth rails almost entirely; the $2 premium which open-hearth commanded prior to 1921 was removed in that year.

Steel rail purchases have exceeded 2 million gross tons a year since 1925 and amounted in 1929 to 2,138,000 tons, valued at $94,195,000. Heavier steel rails have rapidly been coming into use to meet conditions imposed by heavier and denser traffic. The average weight per yard of rail in place Dec. 31, 1928, was 89.08 lbs. Six years earlier the average was 83.50 lbs.

U. S. Steel supplies rails from the Carnegie mills, Illinois Steel, and Tennessee Coal, Iron & Railroad Co. Independents making rails include Bethlehem, with mills at Bethlehem and Buffalo; Inland Steel, Colorado Fuel & Iron and Algoma Steel, a Canadian plant at Sault Ste. Marie.

Trade Commission's Soft Answer Turns Away Oil Industry's Wrath

BUSINESS men are encouraged by the results of the Mar. 31 Federal Trade Commission conference on the oil industry's trade practice code. Their fear that the drastic revision of the code (*BW—Feb 11'31*) meant commission opposition to all cooperative efforts proved groundless; the commission wants to retain the code but insists that it shall not be used illegally.

The commission stated that Rule 1 of the model code it has just promulgated for industries, which forbids secret rebates, refunds, commissions, unearned discounts, or special privileges, can be interpreted to embrace virtually all the practices banned in the original oil code.

Oil men accepted this interpretation as expressing the essence of their code but maintained that details should be included in the code to prevent misunderstanding of the far-reaching effects of the rebate rule

The commission stated that, in its revision of 80 other codes, it has retained the language of the industry in Group 2 rules, thus meeting a chief objection to the original revision plan.

Rule 17 Defended

Rule 17 of the oil code, relating to posting of prices, was defended by oil counsel, who maintained it permitted wholesalers and retailers to fix their own prices but compelled them to sell to all customers at this price. E. S. Hall, Standard of New Jersey counsel, stated that the industry east of the Rockies should not suffer prejudice in its use of this rule simply because California distributors used it to fix prices and accepted a consent decree under anti-trust laws forbidding its further use by them.

Failure of the code to break up the lease-and-agency system, by which large companies lease a station from its owner and engage him to operate it, was charged by Independent Oil Men of America. The commission has received numerous complaints on the subject but said it could not refuse approval of a code because it failed to solve all the industry's problems.

Now in apparently substantial agreement on principles the next step will be the actual revision of the code in accordance with these principles and its re-acceptance by the industry.

Wide World

EVERYTHING BUT A GUSHER—*There are no active wells in the Oil Exposition but all the machinery of the business is on exhibition. Located at Compton, it is within easy reach of the California fields*

Sugar Institute to Meet Charges Behind Its Code

CONSPIRACY to violate the Sherman anti-trust laws is charged in a suit filed by the government against the Sugar Institute, its members, and 27 individuals.

The institute announces it will stand trial; relies upon its trade practice code as legal and beneficial to the public as well as the industry.

The government charges the Institute has gone far beyond its published code, also that various illegal practices in restraint of trade have been carried on by members acting independently of the institute.

The result has been, the government charges, that refiners have increased by 30% the margin between the cost of raw and of refined sugar, at the expense of the public, and with no benefit to producers.

Institute members refine 98% of all cane sugar in this country, and 85%

of all refined sugar; annual output 5 million tons, valued at $500 millions.

Allegations include restraint of beet sugar producers, uniform price-fixing, blacklisting of wholesalers, warehouses, and brokers, enforcement of onerous and oppressive uniform contracts.

Great increases in refiners' profits are cited, due, the government says, to activities of the Institute.

In formal statements, counsel and officials of the Sugar Institute defend their practices as being in the spirit of a wholly legal code. All that members have done, they insist, is to wipe out old trade abuses.

Oil Men Agree on Restriction Of Imports, But on Little Else

Even that brings criticism of Federal Board and Advisory Committee has hard job ahead

AGREEMENT by Pan American Petroleum & Transport Co. (Standard of Indiana subsidiary) to cut its Venezuelan oil imports 23% ends in a not unalloyed victory the Federal Oil Conservation Board's effort to relieve domestic producers by persuading importers to reduce their shipments.

Little more than a year ago the board, organized to conserve domestic oil resources, stated publicly: "The depletion of our own resources can be brought more into accord with that of foreign resources in only one way—by importing a greater amount of crude petroleum." So its about-face in seeking import limitation is being severely criticized in many quarters.

What Critics Say

Likewise, the board is being censured for influencing importers into what is considered by some observers an unlawful restraint of trade. Two years ago it fostered a similar restriction agreement among domestic producers through the American Petroleum Institute, but the plan was promptly squelched at the instigation of Attorney-General Mitchell.

Under the new plan Shell will cut its imports 50%; Gulf and Standard of New Jersey, 25%; Pan American, 23%. The agreement runs 90 days from April 1 when it will be brought up again for continuance or possible modification.

Local Skirmishing

Meanwhile domestic conditions show few signs of improvement. Efforts to prorate the new prolific East Texas pools are meeting determined opposition of the pool operators who, under the leadership of former-Governor Moody, threaten court battles should the State Railroad Commission attempt to restrict their output. In Oklahoma, Sinclair interests have filed suit against the State Commission's reversal of its stand on Oklahoma City pool output. On March 4, allowable output from the pool was increased from 125,000 bbl. per day to 150,000. Almost simultaneously drastic price cuts were made by several companies and the commission immediately put the quota back to 125,000 bbl.

First Time in History

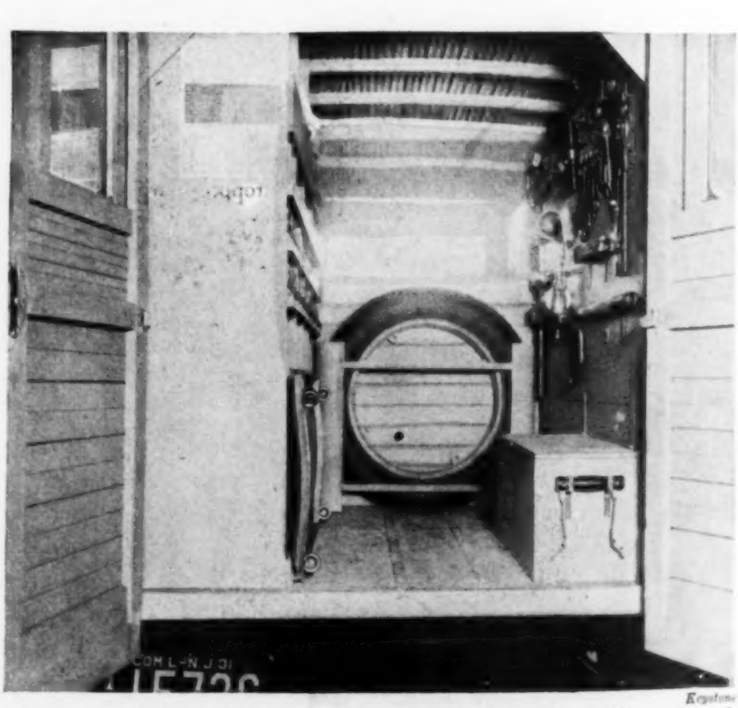
In California, Union Oil Co. made on March 30 its third price cut in as many weeks—totaling nearly $1; brought the price of 29-gravity crude to 38¢ a barrel, lowest in over 25 years. For the first time in history, probably, prices for high gravity crudes are now lower than for low gravity crude because current gasoline prices will not support higher prices for rich oils.

Cooperative Marketing

An encouraging California development is the formation of a cooperative marketing association of 25 independent oil producers who account for about 70% of total independent production of the state. They will first attempt to hold production below the present state quota of 500,000 bbl. per day—rarely achieved—and then direct their attention to improvement of marketing conditions in general.

On April 7 and 8 the Oil States Advisory Committee meets with the Federal Oil Conservation Board to discuss the program outlined several weeks ago at Texarkana.

The Texarkana program includes an interstate compact which would bring about uniform prorationing, unit operation, import restriction, equitable withdrawal of oil from storage and, possibly, price fixing. The board's approval of the plan is sought, although the conference realizes that Congressional approval will be necessary before it can be put in operation.



Keystone

SERVICE ON WHEELS—*More than a trouble car, this rolling shop is equipped to handle all but major repairs in the customer's home garage or back yard. In some states, garages are worried, seek to prevent by law this perfectly logical way to the satisfied customer*

Wide World

THE "MONARCH OF BERMUDA"—*The Furness Line's new 20,000-tonner hisses down the ways into the Tyne. She goes into service next season*

Big Buyers Are Winning The Cement Price War

A PRICE war, said to have started in the Mid-Western states, is rapidly threatening to embroil the whole cement industry. It could not have broken out at a worse time. State highway departments, county and municipal governments are now receiving bids for seasonal requirements. Should the bulk of the year's cement output be covered by commitments made at present reprisal prices, the producers will have no opportunity to improve their position materially during the remainder of 1931.

States Win Concessions

Large buyers are playing the situation to their advantage. Wisconsin's highway department rejected bids ranging from \$1.68 to \$2.05 a bbl. delivered to 115 stations. New bids on its 1,400,000-bbl. requirement averaged about 41¢ a bbl. lower. Oklahoma rejected on Feb. 3 bids on 1 million bbls. averaging \$2.08 a bbl. delivered, with one producer going down to \$1.78 for a 50,000-bbl. share of the order. New bids submitted Mar. 20 averaged \$1.55 a bbl. delivered.

Cook County, Ill., made bidders come back 4 times to get its ¾-million bbl. order. Initial bids ran around \$1.45 a bbl. at the mill—5¢ above the 1930 price. On the fourth try, Mar. 26, bidders dropped down to \$1—40¢ lower than in 1930 at a saving of \$300,000 for the county. State requirements were offered at the same price. Indiana awarded orders for 1¾ million bbls. to 10 companies at an average of \$1.36 a bbl. net delivered—\$1.65 a year ago.

In no year since 1917 have cement prices averaged below \$1.57 a bbl. A year ago they stood at from \$1.65 to \$1.95. Manufacturers operating at 70% to 80% of capacity might break better than even at around \$1.50. But many mills are down to 50% of capacity.

A Wild Scramble

Old-line manufacturers, watching the steadily growing production capacity of the industry in face of declining consumption, made strenuous efforts to avert the crisis, now say that sound marketing practice has gone by the board in the competitive rush for new business, new territory at any price.

Contributory to this has been the loss of dealer distribution as a stabilizing influence. Where 15 years ago many cement companies sold close to 90% of their output through dealers, less than 50% was being handled in that way by 1929.

Selling Systems Changed

Lehigh Portland Cement Co. (second largest since Universal absorbed Alpha) announced on Mar. 16 that competitive conditions had forced withdrawal of its dealer service plan (*BW—Dec10'30*), that regular list prices thereafter would be subject only to a 10¢ a bbl. cash discount. Lone Star Cement Co. (of International) now reserves the right to handle direct purchases by the federal government, railroads, state and county governments, large hydro-electric projects, and contractors working for these buyers and not requiring dealer service. But it promises the dealer his 10¢ discount for payment within 15 days.

An incidental but ominous result of the price war is the withdrawal of company support of the Portland Cement Association as profits available for such support are killed off in the fighting. This now threatens curtailment of the industry's cooperative work on market development when it is most needed.

Mrs. Henry Ford Tells Of Farm–Job Plan

HENRY FORD'S long-talked-of plans for combining industry with agriculture and capital to achieve economic stability are soon to be put into operation. This was revealed in a talk given by Mrs. Henry Ford before a women's club.

Mr. Ford has bought lands in Northern Michigan; is preparing them for cultivation. He will change his inventory-taking period from December and January to the summer months; during the plant shutdown employees can work on the farms; can arrange to buy the farm products at nominal cost.

Long an advocate of this marriage of industry and agriculture, Mr. Ford has already opened in rural districts of Michigan a number of small parts and accessory plants the production schedules of which call for full-time operations during the winter but provide ample free time during the summer.

New York Plans Its Own Silver Futures Market

THE establishment of a market in silver futures is under consideration at the National Metal Exchange, New York.

A special committee has been appointed to investigate this question. It is headed by Benno Elkan of the International Minerals & Metals Corp. and includes Harold L. Bache of J. S. Bache & Co., Irving J. Louis of E. J. Schwabach Co., Erwin Vogelsang of Lewis Lazarus & Sons, Cyril Long of Metal Traders, Inc.

At present, while trading in silver is done for future as well as spot delivery, there exists no formal futures market. The price of the metal in New York is fixed daily by Handy & Harman, brokers. In London the price is determined by 4 firms—Samuel Montagu & Co., Moccatta & Goldsmid, Pixley & Abell and Sharps & Wilkins—on the basis of their orders.

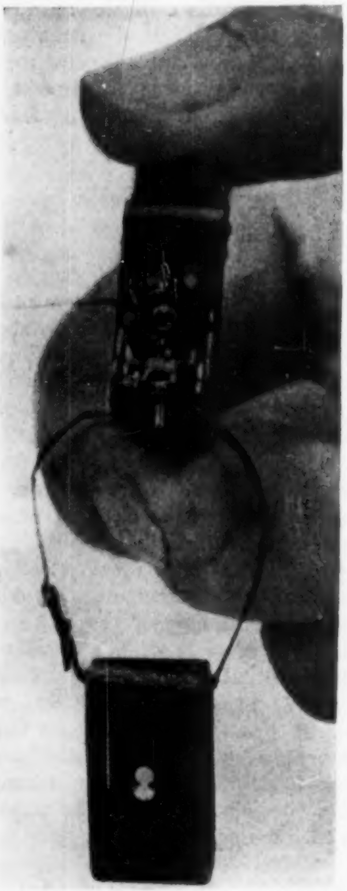
Underwood & Underwood

Tune of the Week—*As the coin goes in the top, the latest phonograph record slides out below*

Alcohol Hit by Loss of Markets, New Government Restrictions

Restrictions imposed by new government measures to prevent the diversion of denatured alcohol into illegitimate channels have helped to bring about a war in industrial alcohol, forcing prices down to the lowest point in years.

Other things which contributed to the slash of 16¢ a gallon within a week are the general depression curtailing the manufacture of thousands of articles in which industrial alcohol is used; the drop in alcohol consumption in the anti-freeze trade, its biggest customer, due to a mild winter and the invasion of this field by a new competitor—synthetic methanol.



Herbert

It Works—*The Eastman Kodak Co. made it for the Queen of England's doll house. Perfect in every detail, this midget Kodak took 3 months' work with watchmakers' tools*

The slash in prices started in the Philadelphia district, and one cut followed another with machine-gun rapidity. Among the leading companies involved are American Commercial Alcohol, U. S. Industrial Alcohol, American Solvents & Chemical, Union Carbide, Pennsylvania Sugar, and Publicker Commercial Alcohol.

Diversion of denatured alcohol into illegitimate channels has been halted to a large extent by the new government system. The American Chemical Society feels that the new regulations set up under the Prohibition Reorganization Act of May, 1927, 1930, creating the Bureau of Industrial Alcohol in the Treasury Department are too restrictive and assailed them at a recent conference.

Organization Lost Power

Such a price war in the trade would have been averted a few years ago, it is believed, through the efforts of the Industrial Alcohol Institute, then known as the Industrial Alcohol Manufacturers' Association, representing virtually the entire industry. The organization at that time exerted a strong influence. The code of ethics drawn up in 1916 had teeth. Lately, however, its importance has waned. Existing hardly more than in name, the institute, now headed by S. S. Neuman, the 32-year-old president of the Publicker Co., has little power outside of publicity.

With the price of denatured alcohol slashed to 19¢ a gallon for formula 5 in tank cars—large contracts also are reported to have been made at 17¢—there is likely to be hard pulling for more than one concern and the possibility of further dwindling in the already much-thinned producer ranks. Meanwhile, blackstrap molasses, important ingredient, dropped to the lowest price level since the introduction of trading in this commodity on the N. Y. Coffee and Sugar Exchange.

Detroit Printers Guard Against Too Much Credit

For a long time the printing trade in Detroit has realized that indiscriminate extension of credit by its suppliers adds to the difficulty of stabilizing conditions, building up a fair price structure.

Two years ago the fine paper merchants of Detroit obtained the assistance of the Detroit Association of Credit Men in evolving a plan that called for: (1) Limitation of time for payment of accounts, thereby preventing pyramiding of debts; (2) filing of financial statements by new, incoming units before opening accounts; (3) economical liquidation of embarrassed estates; (4) designation under proper heading of bankrupts and others whose business practice had proved unsafe.

Excellent results have already been obtained: (1) Closer cooperation between the printing industry and its sources of supply; (2) gradual elimination of undesirable persons from the industry; (3) closer analysis of operating costs; (4) more care in credit investigation of new accounts; (5) more frequent turnover of capital invested in accounts receivable.

A. & P. Decides to Sell As Well as Buy in Northwest

Pacing the chain race on the Pacific Coast, it opened 101 stores in Los Angeles last year

ONE year after establishing in Los Angeles its first store on the Pacific Coast, the Great Atlantic & Pacific Tea Co. will invade the Pacific Northwest. Its first store in that section will be in operation in Seattle next month.

Others are expected to follow at strategic points throughout this territory, with management of the Northwest division centered in Seattle.

Long Heavy Buyer

The A. & P. long has been one of the largest purchasers of food products in the Northwest but has never ventured into the retail field there before. Last year it purchased about $11 millions of food products in Washington and a similar volume of goods will be bought in that state this year.

There are today 101 A. & P. stores in Los Angeles; 5 were opened in San Diego in a single week in March, and plans are under way for units in all 11 Western states.

30 Chains in Far West

Though the chain store idea is relatively new along the Pacific, there were 30 companies with 800 units in the 11 Western states in 1923. Five years later the companies had increased to 60, with 3,330 units, all handling produce, selling $200 millions annually. Today in Los Angeles alone there are 795 food chain units, selling $50 millions per year.

First in Los Angeles

Skagg's Safeway, with 100 groceries and meat markets, was the first of the Eastern chains to reach Los Angeles, now the chains' best-hunted preserve on the Coast. Later, from Seattle, MacMarr extended operations southward to California. From the East and South came Piggly-Wiggly, and Clarence Saunders. The MacMarr chain today has 240 Los Angeles stores and 1,500 in the 11 Western states. Saunders has 50 Los Angeles stores and 300 along the Pacific. Piggly-Wiggly made a notable expansion to include chain groups in all leading cities west of Omaha. Through operating subsidiaries, Safeway acquired control of many of these groups and today has 412 stores in Los Angeles, 1,800 in the 11 Western states, in addition to perhaps 1,000 Piggly-Wiggly and Pay 'N Take It units.

A group not large, though decidedly important in the Los Angeles area, is the local multi-unit chains of which there are perhaps a dozen. These local chains, per unit, entirely outsell the national chain units, while the latter outsell the single store independents. Latest figures—for 1929—show 3,021 grocery stores in Los Angeles, of which 2,226 are independents, 276 are local multi-units, while 519 are units of national chains. During 1929 the local unit sales averaged $76,025, the national unit $51,813, while the independents averaged $19,451.

One reason why food chain activities have centered around Los Angeles instead of San Francisco is the unusual strength of the wholesaler in the latter city.

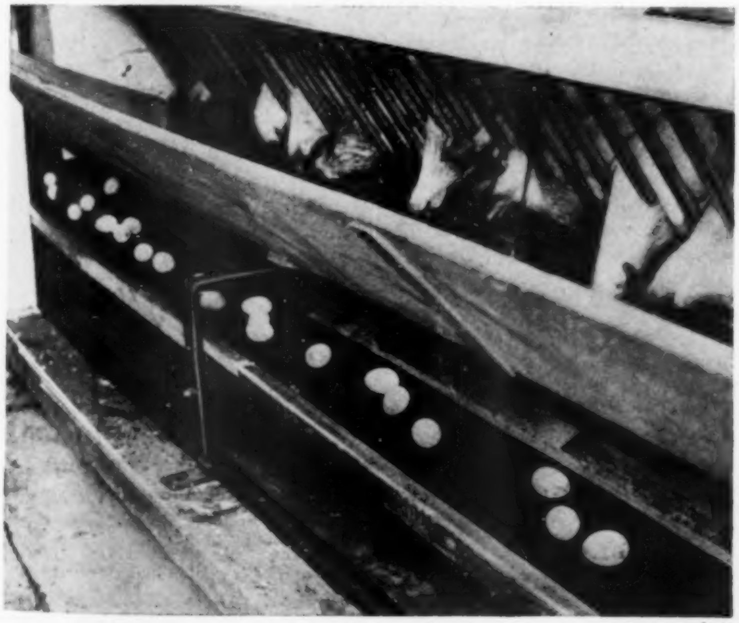
Aid to Goodwill

The chain store receives wholehearted support at the hands of Westerners only when it liberally supports Pacific Coast products.

The Pacific Coaster is bent on selling his products when and wherever possible, and the chain store manager with a few thousand units scattered through the Middle West and East furnishes an excellent opportunity. A 10-pound raisin sale per day in each of the 15,000 A. & P. stores means 22,500 tons per year; while 1 pound of prunes would gross 2,500 tons annually.

Buyers and Sellers Both

All companies have buyers stationed either in Los Angeles, San Francisco, or Seattle. Their purchases include every variety of product grown in the West and sold in a food emporium. The tonnage per year runs into appreciable figures. At the same time, these thousands of chain units in the Western states sell to the local population perhaps $250 millions per year of Eastern products.



Acme

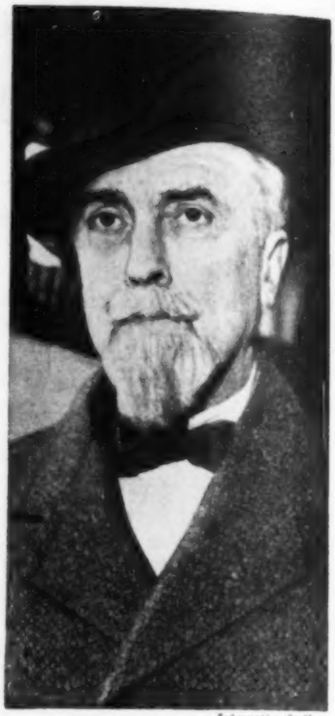
EGG PLANT—*The production line in the highly mechanized poultry factory at Finow, Germany. The belt conveyor carries the finished product through felt-lined passages to the grading and packing rooms*

Plan to Put More Meat On San Francisco's Table

STOCK-RAISERS, meat packers, jobbers, and retailers think the San Francisco Bay area can be persuaded to add more meat to its diet. They have organized the Pacific Livestock and Meat Institute to test out their theory by a newspaper, poster, and radio advertising campaign. Fresh in their memory is Los Angeles' jump in meat consumption from 800,000 lbs. to 1½ million lbs. a month following the 1929 advertising drive of

that city's Meat Publicity Council. With a larger group in on the present effort they hope to beat this record. Later on, they expect to cover the whole state.

The National Livestock & Meat Board has a similar campaign going on a national scale, but its activities have been hampered by lack of funds. Per capita consumption of meat has been fairly steady at 140 lbs. a year for the last 30 years. But in California it has been dropping steadily for the last 6.



International News

ELIZABETHAN—*Looking more like Sir Walter Raleigh than the Governor of the Bank of England, Montagu Norman arrives for his conferences with American bankers and Federal Reserve officials*

Drop in Tax Receipts Warns Business of New Problems

Facing a deficit, government must borrow, raise rates or cut down expenses

THE first instalment of tax payments for 1930 has brought Uncle Sam 40% less money than he obtained from the same source a year ago—and clear indication of what he may expect for the balance of the calendar year. With other payments due to the government also off, the first 9 months of his fiscal year show a 16% decline in receipts. Expenditures have been rising, are up 8% for the 9 months. All of this points to a deficit of $600 millions or more for the fiscal year ended June 30. And the drop in income tax returns with a continued lag in business augurs ill for the next fiscal year.

Can't Blame Bonus

Bonus payments have not contributed to the deficit thus far and are not likely to do so in the current fiscal year. Declining receipts—primarily from customs and income tax—and rising expenditures are wholly to blame. But the bonus hurt the Treasury by deranging its debt program in a manner almost certain to be costly (*BW—Mar11'30*) and may contribute to the deficit that looks more than probable for the fiscal year ending June 30, 1932. Few business men take at all seriously statements from Washington that business recovery can be expected to prevent such a deficit at present tax rates.

3 Possible Moves

Facing a deficit, the government can (1) borrow as it has done this year; (2) raise taxes; (3) cut its expenses to match its income. Whichever it does will affect business.

(1) Borrowing would stimulate business through inflation as the government spent more than it received. But this expenditure of credit can last only so long; credit can be exhausted just as money is. The stimulation might be sufficient to bring about recovery—or it might bring a new collapse when it reached its inevitable end.

Borrowing would also put the Treasury into competition with business in the money market and exert a continuing influence on Federal Reserve policy (*BW—Mar11'30*). The sinking fund need not be disturbed, for the Treasury could borrow to meet that expense as well as any other.

Tax Targets

(2) Any tax increase would fall upon incomes—on high incomes and corporations, both because that is now good politics and because such taxes yield more. An inheritance tax might be imposed for the same reasons. Business is organizing through the Chamber of Commerce to fight tax increases next winter.

(3) A cut in expenses sufficient to meet that on receipts is almost certain not to happen. Expenses may not continue to rise so rapidly, but the tremendous demand for relief measures, for greater governmental expenditure of many kinds, shows no signs of abatement yet and will show none next winter.

What the government does do will be determined largely by political considerations. Congress will be about evenly divided next winter, with a radical bloc wielding great power. This group, no doubt, will favor borrowing and the kind of tax increase outlined will be directly against a cut in expenses. The 1932 election is too near for the issue to escape its influence. All this is indicated in the loquacity of the Washington oracles this week and last.

End of a Decade

The decade of declining tax rates and big governmental surpluses is at an end. It has left a lower public debt but has fostered among politicians the feeling that the Treasury has inexhaustible funds—which has kept expenditures steadily mounting. But it is to mounting tax rates that the signs now point and proponents of new governmental expenditures must realize that their measures mean not just another dip into "the inexhaustible fund" but further tax increases. Behind the slump in first quarter income taxes, keen business men see themselves pitted against the politicians at the start of a long battle with taxation certain to be an increasingly important issue.

St. Paul Bank Joins The Ranks of the Giants

THE First National Bank of St. Paul with deposits of $107,421,944 is now the largest bank in the Western half of the United States, with the exception of California, which has state-wide branch banking. This is shown by the March 25, 1931, conditions statement.

The First National of St. Paul has passed the First National of Minneapolis, and the Northwestern National of Minneapolis, which have deposits of $104,434,485 and $102,509,891, respectively. This is the first time in history that there have been 3 banks in the Northwest with total deposits exceeding $100 millions.

Fewer and Bigger Banks Now Finance Business

Survey shows that 92 banking organizations, 0.3% of total number, control 42% of resources

THE bulk of business financing is being done by fewer and fewer banking organizations. This result of the increasing concentration of control of banking resources is now clearly brought out by compilations made by *The Business Week*. These show that at the first of the year 92 organizations, comprising only 0.3% of the country's banks, controlled 42% of its total banking resources reported by the Comptroller of the Currency on June 30, 1930. This concentration indicates the narrowing limits within which bank financing of business can be done, and the growing amount of influence a comparatively few bank managements can exert on business. On the other hand, evolution of such large organizations provides facilities for financing on a large basis by one organization.

Big independent commercial banks dominate this concentration. About 86 of the 92 are entirely unhampered by management from above. Twenty of these are savings banks. The 66 independent commercial banks hold exactly one-third of the total bank resources.

Twenty large savings banks have 4.7% of total banking resources. Six group holding companies have at least 4% of the total resources distributed among their several hundred members.

Year-End Figures

The year-end figures bring out interesting facts about the comparative policies and practices of the various types of banks, all important to business.

The group of savings banks were bitten less seriously by the liquidity mania than were the independent banks. The latter had 20% of their resources in cash or in other banks, the groups only 16.7%, and the savings institutions only 4.6%. The independent banks do a much bigger business in letters of credit and acceptances. The group banks have a larger proportion of their assets in banking houses and fixtures than either of the other 2 groups.

Group Characteristics

Because of smaller cash and acceptance assets, group banks had a larger percentage of assets both in loans and in investments than the independent banks; savings banks had more than the groups.

On the other side of the balance sheet, savings banks had the largest proportion of their liabilities (89%) in deposits—as is to be expected from the character of their business. Group banks were next with 82.6%, and independent banks last with 78.4%. Capitalization of group banks represented a larger proportion of liabilities than did that of independents.

Surplus and undivided profits made up 11% of the liabilities of savings banks, 8% of those of independent banks, 6% of those of group banks. On the other hand, groups had a larger percentage of reserves.

International News

SHE'LL SHOW 'EM—*Miss Stella Willins of Brooklyn sails for Europe to show typists abroad how to increase their speed. The best of them gets only 94 words a minute; Miss Willins, women's champion, does 124*

Business With Australia Meets New Obstacles

AUSTRALIA, source of worry to investors and business men trading there for about a year, provided more unencouraging news this week, when the socialistic government of New South Wales announced partial default of one of its bond issues. While the Commonwealth government promptly assumed responsibility, it could not prevent further unsettlement of the whole situation.

The exchange position, especially troublesome, was not helped. The Australian pound was quoted this week at \$3.73¾ against par above \$4.80, and this low level has been in effect for weeks. In the face of this 30% discount, American and other foreign businesses operating in Australia have not been able to get their money out except on very sacrificial terms. A recent survey by the American Manufacturers Export Association shows that most of them are letting funds accumulate in Australian banks, pending better conditions.

The whole situation results from excessive expenditures. The collapse of commodity prices has severely limited Australia's income, while her expenses have risen.

Business Anxiously Watches Reaction to "Sponsored Shorts"

First releases have been seen by 28 millions; 8 national advertisers have signed up

LAST summer there was a flurry in advertising and motion picture circles when "sponsored shorts" were announced. Manufacturers were invited to consider the theater as an advertising medium on a new basis, modeled after radio programs (*BW—Jul30'30*). In the last 6 months, 8 national advertisers have signed up, at least 28 million people have witnessed the first releases, passed judgment. No one is watching results more closely than the producers themselves, and the agencies responsible for the accounts. Both say the public has reacted favorably and both have too much at stake to deceive themselves or their accounts. But results to the manufacturer of the advertised product are not yet measurable. The scheme is still too young.

Paramount and Warner Bros. are already producing. R.K.O. is "interested." There's talk of combining Warner Bros. and R.K.O. outlets to enlarge distribution possibilities. But then, there's also "talk" of a triple tieup for the same purpose. Things are still pretty uncertain.

Chesterfield, The Texas Co., Westinghouse, Lehn & Fink (Lysol), and India Tea are already "entertaining." Chesterfield's fourth release of "Movie Memories" is due early in April. Its contract calls for 13 "shorts" this year—one every 4 weeks. The Texas Co. is nearly as far along on a similar program. It is rumored freely that A. & P. has contracted for 13 releases, will send the first one out soon.

Here Are Costs

What does it cost? Producers say from from $10,000 to $15,000 for actual mechanical production. If the advertiser wants a Will Rogers or a Bobby Jones in the cast, he must add their salaries.

Agencies, highly practical, increase this amount $5,000—declare the necessary "non-essentials" demand it. To most of them, $20,000 is the original estimate from which to figure.

To this production cost must be added distribution costs, not yet standardized, but evidently trending toward $5 per 1,000 persons. If a theater's feature program attracts 100,000 spectators in a week, the advertiser is charged $500. Paramount estimates its owned or controlled theaters provide a non-duplicating audience of 3½ million. By sales through exchanges, it may be possible to increase this to 8 million. The Warners work on the same basis.

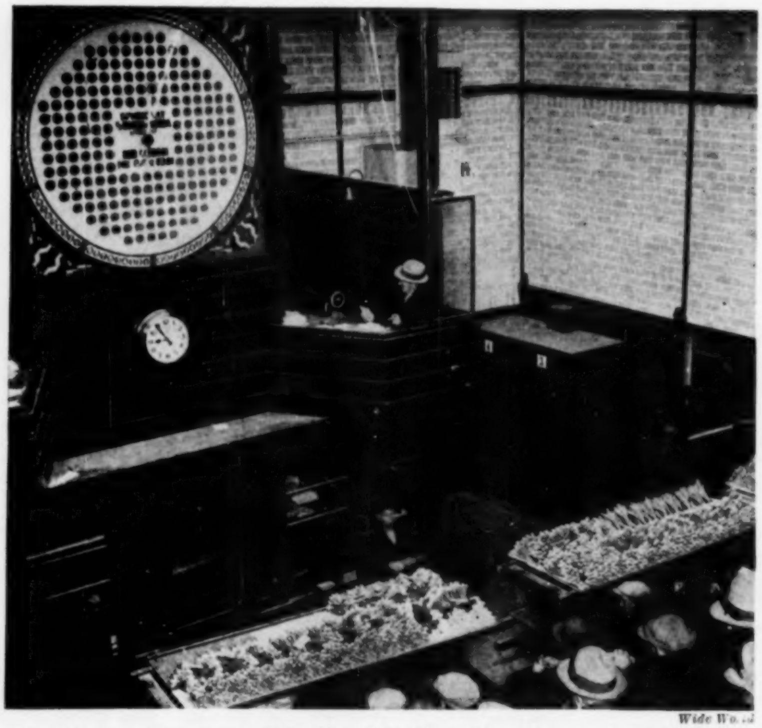
On Regular Programs

Releases are made as a part of the regular theater programs throughout the country.

There are 2 distinct drawbacks in the minds of agency men. The amount of "copy" that can be used in the film is greatly restricted, sometimes to a mere "Sponsored by ———;" a theater audience has paid for amusement, must be given high-class entertainment with a minimum of advertising. But, counterbalancing, is the fact that the shorts so far have "gone" much better than the old straight advertising films.

Distribution Restricted

Second drawback now is the restricted distribution offered by the producers. The 6 big chains are generally admitted to have 25% of the countries' theaters, to draw 50% of the audiences. That leaves a large gap which the chains can in part cover by their releases to independents and to independent chains. But agencies say distribution is still spotty.



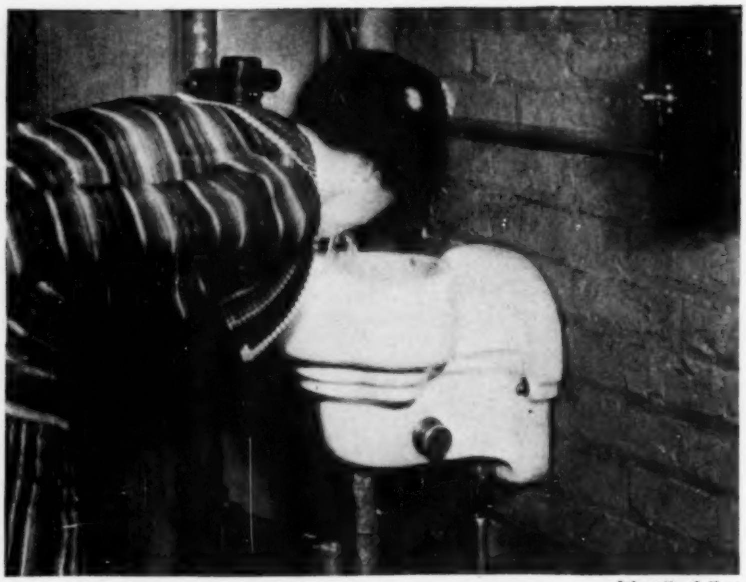
Wide World

THE FLOWER BUSINESS—*The Floral Hall at Rignesburg gives some idea of how seriously Holland takes it. Here, the spring blooms are being sold at auction. Buyers make their bids by pushing buttons*

Cheap Silver Is Lure To Travel in Orient

TAKE advantage of depreciated exchange in the Orient and get more for gold standard American money is, in effect, the siren song of passenger agents for transpacific lines urging tourists to visit Japan and China this summer. To attract new business, 3 of the larger lines have reduced first-class round-trip passenger fares about 25%, effective April 1, return limit Oct. 31. Limited to these dates, round trip rates from Puget Sound have been published as follows: Yokohama, $450; Kobe, $465; Shanghai, $520; and to Hongkong and Manila, $565.

Canadian Pacific is making the most capital possible from a new all-time speed record between Yokohama and Victoria. The *Empress of Japan*, 26,000 tons, made the run in 8 days, 3 hours, 12 minutes.



International News

THE ELECTRIC EYE AGAIN—*Here it controls the water in a public drinking fountain. As the young lady stoops to drink, her head intercepts the beam (note the spot of light) which starts the water*

\$6½ Billion Building Program Employs 1,300,000 Men One Year

Actually 2 million men will be busy at peak season, fewer for rest of year

CONSTRUCTION work will employ 2 million men at the peak season of 1931. Projects for the year will provide 1,300,000 man-years of labor.

This is a round estimate—the first attempt to translate into terms of employment relief the dollar figures for the building program undertaken largely for that purpose.

Ratio of labor costs to total construction expenditure varies widely, of course, but a fairly comprehensive analysis discloses that on the average, \$5,000 expended on construction provides work for a year for one man—partly on the job, partly in the mine, mill, quarry, machine shop, or other source of material used for building—or in transportation of such materials.

\$6½ Billions in 1931

The construction program for 1931 runs to \$6½ billions, exclusive of expenditure for sites. Applying the formula, the result is 1,300,000 man-years, as stated. Up to Mar. 15, contracts for \$927 millions had been let—185,400 man-years of labor.

The year's total construction program of \$6½ billions is \$2 billions over last year's, but less than 1928's.

Public works will account for \$3½ billions.

A recent survey by the Department of Commerce puts the federal program at \$700 millions; state, county, and city programs at \$2,700 millions, and additional highway projects at \$100 millions.

The residential construction budget of \$1½ billions is \$400 millions more than 1930, but the same amount less than 1929 and \$1 billion less than the 1928 total.

Non-residential private construction will be \$1½ billions, \$1 billion less than both 1928 and 1929.

President's Committee Sees Employment Gaining

SOME encouraging employment information has been received recently by the President's Committee for Employment.

A decrease in New England's unemployed has resulted from accelerated activities in shoes and textiles. In Connecticut substantial improvement is expected by May. Automobile activities have improved conditions in the Great Lakes states over 60 days ago.

Textiles Improve

In one Atlanta, Ga., district, improvement in the textile industry and in farm labor demand has reduced unemployed. In Charleston, S. C., employment has increased 10% since Feb. 1. Small gains in employment were reported in Dallas, St. Louis, Des Moines; no change in Los Angeles.

The National Association of Flat Rolled Steel Manufacturers reports current employment of 101,347 workers, 83% of normal. Most of them are working part time—about 4 days a week average. Production of the industry fell 32% in 1930 from 1929 while employment declined but 17%.

Due to a selling campaign inaugurated at its annual meeting in February, the National Shoe Retailers Association reports that since February output of New England shoe factories has increased 20%; that present output is 80% of 1929 level compared with 65% during 1930. The Bolt, Nut & Rivet Manufacturers Association reports that it is employing 90% of its normal force although output is 40% below 1929.

Shows Confidence

General Motors Corp. expressed in a practical way its confidence in the immediate future by placing orders for its 1931 requirement of rubber, cotton, copper, tin, and zinc. While the company frequently anticipates its material requirements, this is reported the first instance with so many commodities.

In its annual report just issued, United States Steel Corp. announced its employees in 1930 totaled 211,055—6% less than in 1929. Payroll reductions in 1930 amounted to 6.86%, reflecting part-time operations rather than a reduction in the wage rates.

Plan Pensions, Insurance For Building Workers

THE New York Building Congress is giving serious consideration to the advisability of establishing an old-age pension and life insurance plan for the 125,000 building trade workers of the city. Murray H. Latimer, quiet, studious pension expert of Industrial Relations Counselors, Inc., is directing a survey of the situation in cooperation with a Congressional committee headed by Thomas Holden of F. W. Dodge Co.

Travel the broad straight road...

AN OPEN LETTER TO THE CLEAR-THINKING BUSINESS MEN OF AMERICA . . . FOURTH OF A SERIES

Check this statement in 1932. ✓

THE LITERARY DIGEST can emphatically answer the question "How's business?" with a brief but significant—"Very good."

Reader support of *The Digest* has constantly strengthened — a weekly average of 77,000 more for 1930 than for 1929, and for the first three months of 1931, an excess of 200,000 a week over the guaranteed 1,400,000.

This steady increasing grip on the American mind has two meanings, to *The Digest* and to business men who cultivate the great *Digest* public. *First,* it shows the sound character and wide popularity of the editorial policy—*second,* it shows the sustained buying power of the public that responds to this policy.

Now is a good time to travel the broad straight road. To decide, on a basis of facts, to cultivate an "average customer" well above the national average in income and intelligence, interested in current events, alert, established, growing. The kind of a person whose resolve to protect a definite standard of living is now operating

The Literary Digest is close to the life of the times, offering immediate national publicity *to the advertiser who has a message of immediate national interest. It goes to press only seven days before delivery—thus having the speed of a weekly newspaper, plus its power as the leading news magazine.*

The Digest enters the best million homes with telephones, a market which buys two-thirds of all advertised commodities—and buys them first. The Digest reaches 36% *of all families with incomes of* $10,000 *and up. Its list of subscribers is a roster of ready buyers in the upper income brackets.*

For 1931, *advertisers buy a guaranteed average circulation of at least* 1,400,000 *preferred prospects.*

to hasten the return of good times.

Surely and steadily better-than-ever days are coming. No one knows the exact instant when general business will cross the normal line, on the way up. But for many businesses, the rise has begun. And *The Digest* will continue its own promotional work on an increasing scale—in its taking of national polls, in its mailings to millions of telephone subscribers, in its daily news broadcasts by radio — and in many other directions.

For *The Digest* knows its America. It knows that results can always be had from the people who live along the broad straight road. For 1931, it offers advertisers a guaranteed average of at least 1,400,000 constant readers of this type . . . living decently and reasonably and well . . . good customers for all good merchandise — *now,* and next year and every year.

One interesting chapter in the success stories of 1931 will be the record of advertising. It will be a clear account of results achieved by strong, straightforward selling to this middle market of responsible, responsive buyers.

★ The Literary Digest ★

SOUNDING-BOARD OF AMERICAN OPINION

"*The Literary Digest* is known to students of the publishing business as the sounding-board of American opinion. No other periodical in history has held a similar place. Time after time, its finger laid on the pulse of the people has been the one true index of national sentiment."

Colonel Woods Explains "Planned Public Works"

COL. ARTHUR WOODS, chairman, President's Emergency Committee for Employment, told members of the New York Building Congress on Mar. 27 just what the proposed "planned public works program" means.

According to Colonel Woods, it has 3 essentials: quantity of work; readiness for immediate operation; wise choice of time to start. Sufficient quantity can be obtained from the $3½ billions spent annually by governmental bodies—city, county, state, federal; a reserve of but 1 year's building would make a substantial balance wheel for business.

A Speedy Job

Readiness for immediate operation requires preparation of plans and specifications; acquisition of sites; closing up of litigation; financing arrangements; contracts tentatively let. Wise choice of the time for starting work is the duty of the new Federal Unemployment Board authorized by the last session of Congress.

Colonel Woods emphasized that the program contemplates none but essential building activities. Public works are not to be constructed simply to provide employment, but the schedules for necessary construction work will be adjusted to meet changes in business activity.

By postponing some part of a program undertaken during good years, this work can be used to bolster business a year or so later when general conditions are not so good. Likewise, during times of depression work which proper planning indicates will become necessary during the next few years can be anticipated in order further to increase slack time activities.

Labor Stabilization Board Being Organized

THE Federal Employment Stabilization Board, authorized by one of the Wagner Bills passed during the last session of Congress, will be organized early this month. Appointment of a director is expected to be made by the President shortly. Congress appropriated 500,000 for the board's work and, upon nomination of a director, activities can be started at once since 2 of its units are already available in working order—the public construction branch of the Department of Commerce and a section of the President's Emergency Committee for Employment.

The Federal Board is composed of the Secretaries of Commerce, Treasury, Agriculture, and Labor. The Secretary of Commerce will be in direct charge. Main function will be to inform the President of trends of employment and business activities. When business depression is anticipated the President is expected to ask Congress for additional appropriations for accelerated public works programs.

New Coffee Conference; Same Old Problem

AN international congress to discuss the world coffee situation has been called by the Brazilian government to meet at São Paulo next month. All the coffee growing countries of South and Central America, also the United States, Great Britain, Portugal and Holland have been invited to attend. It will be the first meeting of its kind since the conference held in New York in 1902, in which a dozen Latin American countries and the United States participated.

The big problem 30 years ago was output restriction. Visible stocks nearly doubled in size between 1901 and 1902. It's the same problem this year.

The world's visible supply of coffee on Feb. 1 has been estimated by the N. Y. Coffee and Sugar Exchange at 36 million bags. Assuming that consumption will take away 10 millions by the end of June, the new crop year is expected to open with enough coffee in sight to cover world requirements for more than a year. The burden of this huge carryover will naturally fall most heavily on Brazil, which supplies about two-thirds of the world's coffee needs and obtains more than three-fourths of its export receipts from coffee sales abroad.

Have Big Surplus

Brazil has evolved ingenious but not very promising plans to get rid of the huge stocks with which the country's interior warehouses are bulging. One proposes an exchange of coffee for Russian wheat or perhaps for hides from the Argentine. Another suggests shipment of several million bags abroad just for advertising purposes. Brazilian brands are encountering increasing competition from the "mild" grades produced by other countries. This year's nearly 9 million bags of "milds," have made a deep dent in Brazilian exports.

International News

AMERICANS IN RUSSIA—*Around the relief map of the Dnieperstroi project are Messrs. Workman, Best, Herzog, Shotter, Ore, and Lagerstrom, of the Freyn staff. They act as consulting engineers for "Gipromez"—the Soviet State Institute for Designing Steel Mills*


Boston
New York
PHILADELPHIA
Baltimore
Washington
Norfolk
Savannah

Acme

HOUSEWARMING—*Ford's new Dagenham plant, not yet completed, is thrown open to his 700 dealers from all over the United Kingdom. One of the features is a railway line running directly through the buildings*

Ford's Foreign Expansion Yields 10% Growth in Profits in 1930

Builds, or makes ready to build, 20 new plants in year, Australia to Istanbul

FORD MOTOR Co's foreign subsidiaries (8 of them have reported) gained net incomes from 1930 operations totaling $10.4 millions—10% greater than in 1929. In a year of worldwide depression, mounting tariff walls, Ford constructed or made ready to build more than 20 foreign assembly and manufacturing plants.

Ford operations are carried on by 3 chief divisions—Ford Motor Co., Detroit; Ford Motor Co. of Canada; Ford Motor Co., Ltd., England.

The Parent Company

The parent company in 1930 brought the total number of domestic assembly plants to 33. It also controls operations in Latin and South America; China, Japan, and the Far East; Russia and Italy and a number of minor markets. In 1930 it started a new 100-car-a-day assembly plant in Mexico City and completed negotiations with Isotta-Fraschini so that Ford products can get through the drastic Italian import restrictions.

Ford Motor Co. of Canada supplies the British Empire outside Great Britain. Its manufacturing center is East Windsor, just across the river from Detroit; it has several assembly plants in the Dominion; completed a new one at Vancouver during 1930; plans to provide additional facilities at Barnaby, B. C.

4 New Indian Plants

Through subsidiaries and assembly plants, the Canadian company operates in South Africa, India, Australia, New Zealand, and Malaya. During 1930, 4 assembly plants were opened in India—at Multan, Madras, Bombay, and Calcutta (*BW—Feb4'31*). They give annual capacity of 10,000 vehicles. Other plants completed during the year by the Canadian company were at Perth, Australia, and Port Elizabeth, South Africa.

The English Ford company manufactures, assembles, or sells throughout Europe (except in Italy and Russia), in the Near East and Levant.

Chief 1930 development was continued work on the plant at Dagenham, England, which will be in partial operation in 1931 and completed in 1932 (*BW—Dec10'30*). With annual capacity of 200,000 cars and trucks, this plant will use British materials and labor almost exclusively. First planned to supply most of Europe with Ford products, increasing tariff barriers have caused the plan to be revised. Plants are being provided in other countries.

British Sales 125,000

Present annual sales of Ford vehicles in Great Britain are about 125,000; they cost about $1,000 with freight and customs charges added to U. S. price. Facilities provided at Dagenham are expected to cut the price in half; to open many new markets in adjacent countries.

The 75,000-cars-a-year plant at Cologne, Germany, is expected to start operations this month; it will use German materials and labor; will supply the needs of Germany, Austria, Hungary, Czechoslovakia; may supply parts to assembly plants serving countries along and near the Danube.

Other New Plants

Another plant is being erected at Antwerp, Belgium, with annual capacity of 10,000 cars. New assembly plants were completed last year or are now under way at Kaiseraugst, Germany; Stockholm, Sweden; Amsterdam, Holland; Barcelona, Spain; Asnières, France; Istanbul (Constantinople) Turkey; there is possibility of one at Gdynia, Poland.

In Ford's foreign subsidiaries barely a majority of stock is owned by Ford; the remainder is sold locally. Attempts are made to patronize local industries. In France, where only "assembly" is being done, Ford purchases include lacquers, oils, varnishes, lubricants, roller and ball bearings, tires, pressed steel parts, steel forgings, electrical equipment, tools, body material, glass, wheels, mufflers, springs, carpets.

Speedier Rust-Proofing Permits Line Production

ADOPTION by Ford of the Bonderizing treatment for exposed metal parts presages a pronounced change in methods of treating metal products to prevent rust. Ford has installed Bonderizing equipment at Detroit; is reported preparing similar installation in his Pacific Coast plant. Chrysler is installing equipment; Kelvinator, Servel, Budd Wheel, and a Detroit body maker are using the process.

Bonderizing is a development of the

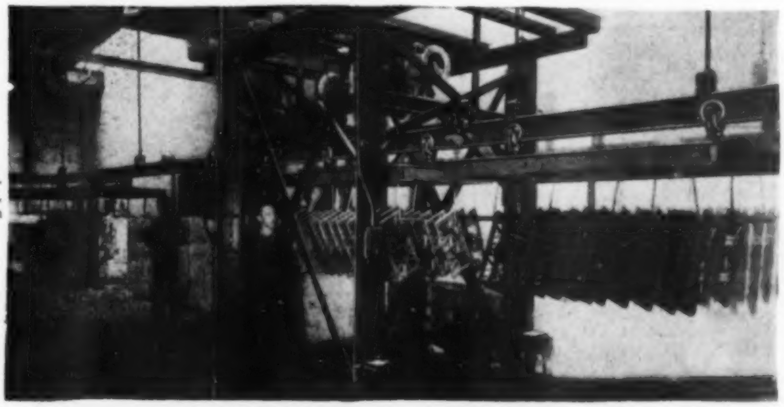
Pick up HANDLING!
Put it on your CEILING!

ADD up your costs for handling materials on the floor. Figure in your trucks, truckers, value of aisle space, floor repairs. Then think—you cancel those taxes when you put handling on the ceiling with Louden Overhead Monorail. You speed production. You slash costs, which benefits selling prices. From hot iron to chinaware, Louden handles any type load over two tons. Louden Monorail goes up or down grade, around corners, through walls.

Know what others in your industry are doing with Louden Monorail—get the 64-page Louden book! No obligation, of course. The Louden Machinery Company, home office and plant, Fairfield, Iowa. Branch offices: Boston, New York, Buffalo, Philadelphia, Pittsburgh, Cleveland, Cincinnati, Detroit, Chicago, Milwaukee, St. Paul, St. Louis, Los Angeles, San Francisco.

LOUDEN
Industrial Monorail Systems

Second Nat. Ind. Congress, Cleveland, April 13-18. Booth 231.



At the Odin Stove Works, Erie, Penna., an automatic dipping machine is incorporated in the Louden Monorail System

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(A-5100)

Parker Rust-Proof Co. and is the result of research to reduce the time required to rustproof metals by the Parkerizing method developed in 1922.

Parkerizing subjects the metal to a chemical treatment which changes the surface, makes it virtually rustproof, but otherwise does not affect it. First Parkerizing methods required 1½ hours, later improvement decreased the time to 30 minutes. The Bonderizing process requires but 10 minutes, is suitable for use in large scale production with assembly line methods.

A Crystal Coating

Bonderizing coats the metal with minute crystals to which enamel clings so tenaciously that there is no chance for moisture to attack the metal. In usual enameling operations, the enamel tends to pull and shrink upon drying, leaving microscopic cracks in which water and dirt collect, finally resulting in chipped enamel and rusted base.

In shipping bodies and parts from factories to assembly plants or sales branches, the common automotive practice has been to apply heavy grease to exposed metal to prevent rust. Bonderizing saves the cost of this grease, its application and its removal.

For automobile bodies and other objects too large to be immersed easily in tanks, the Parker company has developed means for spraying the Bonderizing chemical.

New Features, Prices, Models Bid for Bigger Motor Market

DETROIT gossip is full of rumors of new models, new prices, new merchandising features; by-products of the automobile manufacturers' strenuous efforts to whip up 1931 buyer interest.

Packard is reported to have a new $1,500 series in the offing, with free wheeling to be its feature and to be extended to the entire line. A new Plymouth is expected soon to revive interest in this Chrysler product. And Chrysler, along with virtually all other makers including Ford, is expected to introduce free wheeling before many months, certainly by 1932.

More New Plans

Reo has nearly ready a $2,000 companion car to the Royale, which recently has been increased in price $300; is working on a $1,000 series for probable introduction next year. Oldsmobile is expected to offer an 8 late this year, with rumor shifting its present 6-cylinder engine to General Motors foreign cars, perhaps the German Opel.

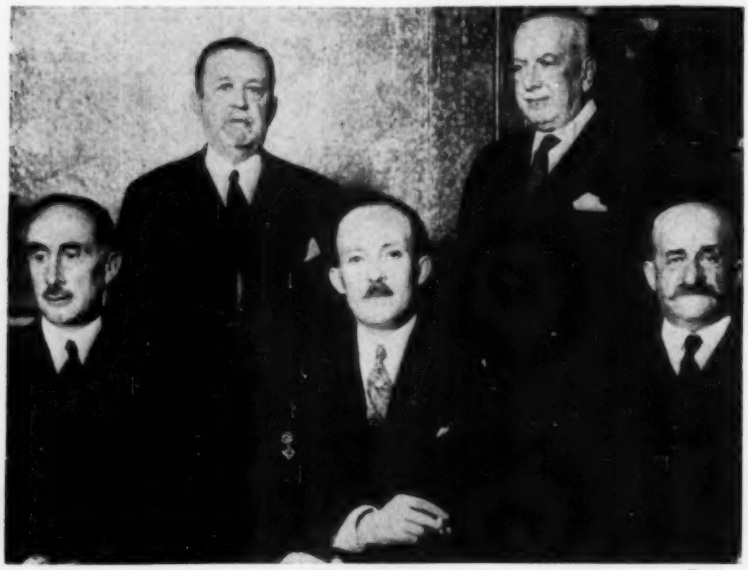
The DeVaux 6, competitor of Essex, Willys, Pontiac, is in production at Grand Rapids. Its engine was designed by Col. Elbert Hall, heavy-set, quiet but genial co-designer of the Liberty engine of war-time fame. Sparely built and keen-eyed, Norman DeVaux, former president of Durant of California, is the alert head of the new enterprise.

Transplanted Californians

The story is told that Durant of California, under DeVaux direction, built cars so much better than Durant at Lansing, that dealers east of the Rockies (in Lansing territory) used to bootleg cars from the California plant. DeVaux has with him virtually all the distributor-dealer organization of the old California company; chief executives moved bag and baggage from Oakland to Grand Rapids.

April production figures should be encouraging. Present schedules: Ford, 125,000; Chevrolet, 80,000; Willys-Overland, 10,000; Buick and Oakland-Pontiac, 12,000 each; Oldsmobile, 8,000; Cadillac, 3,000; Chrysler units, 30,000; Studebaker, 7,000; DeVaux, 2,000; Reo, 2,000; Packard, 2,000.

Two more companies are following the Nash venture into Canadian operations (*BW—Mar25'31*). Hupmobile has obtained a plant at Windsor; Reo will use the old Dodge plant at Toronto. Hudson is expected to take similar steps.



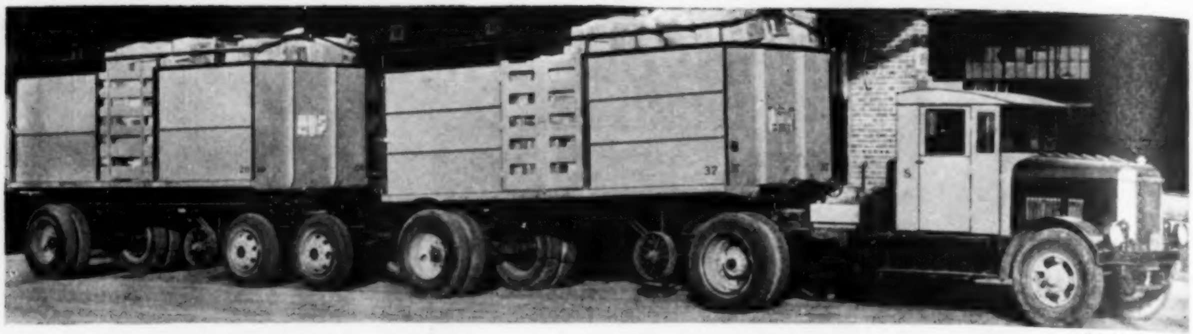
Keystone

BACK TO THE GOLD BASIS—*Mercurial at best, peseta exchange has been no help to Spanish business. The government strengthens itself by strengthening the peseta. Among many advisers, one of the most important was Pierre Quesnay (center), French director of the Bank for International Settlements. Left to right are Ventosa, Home Minister; Count de Bugallal, Finance Minister; Quesnay; Bass; Count de Romanones*

Van Sweringens Install Erie in Their Capitol

REMOVAL of the Erie Railroad's executive offices from New York to Cleveland, announced last week, will practically complete the job of making Cleveland's Terminal Tower the capitol of the Van Sweringen railway empire. When Erie moves in, the watchful brothers up in their thirty-sixth story headquarters will have all the lines they control right under their eyes. Missouri-Pacific still does business in St. Louis, it is true, but a change in corporate rules brings its official meetings and the secretary-treasurer's office to the Tower.

Nickel Plate's scattered departments were first to be centralized in the Van Sweringen capitol. Then Cheasapeake & Ohio's executives were brought over from Richmond and Pere Marquette's from Detroit. The Van Sweringen engineering committee for planning and purchase of supplies found quarters in the Tower. And district offices of other railroads moved in.



The Business Week

HIGHWAY FREIGHT TRAIN—*One California grocery chain uses railroads to strategic points, completes its distribution by these truck and trailer trains. The heavy load is carried on 18 pneumatic tires which meet the laws for protection of the roads, permit the greater speed necessary to cover the large areas served*

Motor Truck Freight Service Reaches Peak on West Coast

Railroads launch vigorous campaign to regain the vast volume of lost traffic

PACIFIC COAST railroaders are training hard to meet motor truck competition. Meetings are in progress; vice presidents and traffic managers are studying the inroads made by highway carriers in their freight revenues, and are marshaling their forces for a vigorous and continuous campaign to recover the lost business. Thousands of railroad employees, with one eye on their jobs, will join the crusade.

The embattled railroaders face a truck industry which is hitting on all 8. By far the most advanced and best organized in the country, recent mergers have strengthened it, strong trade associations have given it a powerful voice in public affairs, still larger mergers and stronger trade groups are forming, bringing big-calibered personalities to the front.

California's Trucking

In California, the total tonnage handled by certificated common carrier truckers (operating between definite points on a daily schedule) increased from 899,373 tons in 1924 to 2,076,441 in 1929. This, of course, does not include the vast fleet of privately-owned trucks and those operating on contract. Total tonnage of all California truckers (contract and common carrier) rose from 4 million in 1924 to 12 million in 1929, more than one-fifth as great as all California rail tonnage for the year.

It is estimated that 25% of all gasoline handled in the state goes by truck; 60% of the tires turned out by Los Angeles factories move by highway; 90% of the 245 Ford cars produced daily by the Wilmington plant are trucked to dealers direct, including those in Arizona; 55% of the freight to and from ships in Los Angeles harbor goes by trucks; 65% of all freight moving in and out of Los Angeles travels by highway. Freight handled by the Santa Fe between Los Angeles and Phoenix, Ariz., dropped from 5 billion pounds in 1924 to 1 billion in 1930, largely, say the railroads, because of truck competition.

All Modern Improvements

Truck and trailer units embodying the latest mechanical improvements, some of which include aluminum alloy construction, as many as 30 pneumatic tires per unit, electric brakes on all wheels, and other aids to efficiency are carrying paying loads up to 28 tons, are regularly operating over routes extending 350 to 500 miles, and are rendering store-door delivery service faster than rail delivery in a majority of cases. Rates are approximately equal to the rail rates plus drayage charge. Loads carried include every conceivable commodity—fish, live lobsters, 600-lb. Galapagos turtles between San Diego and Los Angeles; lumber from Los Angeles harbor to Arizona and return with cotton for the tire factories. They almost monopolize the handling of groceries, farm produce, and fresh milk within the state, and operate the fastest door-to-door express service between Los Angeles and San Francisco—17 hours from receipt to delivery over a 460-mile route—14 hours from terminal to terminal. Cotton, wool, cement, gasoline, and machinery are major loads.

The same story is true for Washington and Oregon. Truck lines have taken practically all of the short-haul business within a radius of 50 miles of the larger distribution centers; 60% of the business within a radius of 250 miles from Seattle and Portland, 50% of this having been taken by the "wild-cat" operators running without the certificate of convenience and necessity required by the state laws. The lack of state control over the non-certificated operators (little headway has been made in prosecuting them) has made the situation doubly difficult for the railroads. The new Washington law, recently passed, is expected to clear up the "wild-cat" condition rapidly, however.

Mergers of the smaller truck lines are now in the making and the outcome of the process will be concentration of operations in a few large concerns, all of which will be certificated and obedient to the state laws. This, it is hoped by the railroads, will result in placing the truck lines on a fairer competitive basis.

Why Railroads Delayed

That the action of the railroads in combating truck competition, while belated, was not due to ignorance of conditions but to a desire to solve the problem in the right way was explained to *The Business Week* by J. L. Burnham, western traffic manager of the Northern Pacific.

"When we have cut rates," he said, "the truckers have undercut us. We realize we cannot regain the less-than-carload business within a 50-mile radius of the large distributing centers as the truck rates on this traffic, combined with the convenience of pick-up-and-delivery

Private Office desks at General Office Prices

HERE'S THE MOUNT VERNON. *Its finish—even to the Artolin top—reproduces the graining of fine walnut. It's available in mahogany, too, if you prefer.*

FOR YEARS *this Art Metal 1500 desk has been the standard for clerical work in large corporation offices as well as in small offices.*

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IN THE ART METAL BUILDING EQUIPMENT DIVISION...Hollow Metal Doors and Trim...Elevator Enclosures...Architectural Bronze...Library Fittings...Partitions

service, make competition impossible. Incidentally, all the freight moving between Seattle and Tacoma (30 miles) is now handled by truck. Formerly the railroads carried this business which approximated 30,000 tons yearly.

"As an example of what can be done, however, our road last year published a new rate of 30¢ per 100 lbs. between Seattle and Portland on which there is intensive competition. Later the rate was reduced to 25¢. Despite the business depression, we increased our less-than-carload traffic between these points 2,000% in the last 9 months of 1930.

Truck Profits Uncertain

Under present conditions, the profits of the truckers in Washington and Oregon are not great. The larger companies are making money. A few of the smaller ones are "getting by." The remainder are operating at a loss.

The total route mileage of certificated common carriers in Washington is now 8,461. During 1929, the tonnage gross carried was 297,354 tons intrastate and 138,478 interstate. In 1930, there was a slight drop. Trucks number 520. A total of 689 men were employed with an annual payroll of $1,400,000. Gross income for intrastate operators was $1,803,382 in 1929; $1,117,000 in 1930. For interstate, $1,198,000 in 1929 and $676,985 in 1930. Truck men explain that the drop from 1929 does not indicate that their business is slipping but was caused chiefly by the slowing-up of business in general.

Seattle, as one of the largest truck centers on the Pacific Coast, is a satisfactory example of conditions in other cities. In Seattle there are 3 large truck terminals—the Consolidated Freight, Pacific Motor Transport, and Central Auto Freight. Total volume of freight handled daily in and out of these stations totals 1,000 tons.

Tacoma's Systems

Fourteen intercity lines operate out of Tacoma. Principal ones include the Pacific Motor Transport with routes covering western Washington from Blaine to Portland, Ore. (120 trucks); Consolidated Freight Lines, with routes covering Oregon, Washington, and Idaho, with operations in Washington between Tacoma, Seattle, Wenatchee, Spokane, and interstate to Portland (180 trucks); Jones & Conant, with 55 miles of route through a rich valley of farm and fruit lands (5 trucks); Mountain Road Auto Freight, operating from Tacoma to Fort Lewis; and the Tacoma-Seattle Auto Freight Co., running between the two cities, a distance of 30 miles.

Law Says, "Minimize Speculation," But Farm Board Itself Trades

Finds best way to support price of wheat is to buy futures in the pit

(This is the fifth of a series of articles interpreting the present and prospective position of the Farm Board in its relation to agriculture and business)

"MINIMIZING speculation" is listed in the Agricultural Marketing Act as the first of the four methods to be employed by the Farm Board in carrying out its general policy of putting agriculture on a basis of economic equality with other industries by promoting the effective merchandising of farm products in interstate and foreign commerce, and protecting, controlling, and stabilizing the currents of such commerce.

Preventing ineffective and wasteful methods of distribution, encouraging cooperative organization, and preventing and controlling surpluses are the other three methods specifically laid down in the law.

Irreconcilable Inconsistencies

It is easy to see that these requirements involve several irreconcilable contradictions or inconsistencies. The most important are those involved in any attempt to promote effective merchandising of farm products or to stabilize the currents of interstate or foreign trade in them, encourage cooperative organization, handle surpluses, and at the same time minimize speculation.

It is difficult also to see how minimizing speculation in farm products necessarily helps to put agriculture on an equal basis with other industries, when practically every other industry and business involves speculation in some way or other. Nevertheless the phobias centering in the word "speculation" of which farmers and farm politicians have been victims for years inevitably forced the Farm Board into these curious inconsistencies of policy in trying to comply with the law.

The consequences have been very far-reaching not only for the farmers and the co-ops but for the private commission traders and a whole range of other business activities including the railroads, the telephone and telegraph companies, warehouse interests, etc., all of

Underwood & Underwood

GLASS FARMERS—*The world's largest farm under glass is near Toledo, Ohio. It is so big, tractors are used to do the hauling and prepare the ground. From October to May, 720,000 heads of lettuce are raised in 4 successive crops; from May to October, 480,000 cucumbers*

which are concerned in one way or another with the vast marketing machinery centering in the speculative commodity markets.

Trend Is Unchecked

If the Capper-Dickinson Bill, which reflects the general tendency of the agricultural group toward further regulation of the exchanges, is pushed to enactment in the next session, the consequences will be much more marked.

The chief influence of the board upon the exchanges so far has been the result of its stabilization activities analyzed in the two preceding articles. This has been reflected dramatically during the past week.

The board's announcement of its decision to abandon stabilization on this year's crop so stimulated trading on the Chicago Board of Trade that wheat for the first time in about 6 months was restored to its former leadership over the other grains. It had to be put back into the large ring originally constructed for it in the new Board of Trade building, from which corn trading had ousted it after last summer's drought.

A Dying Game?

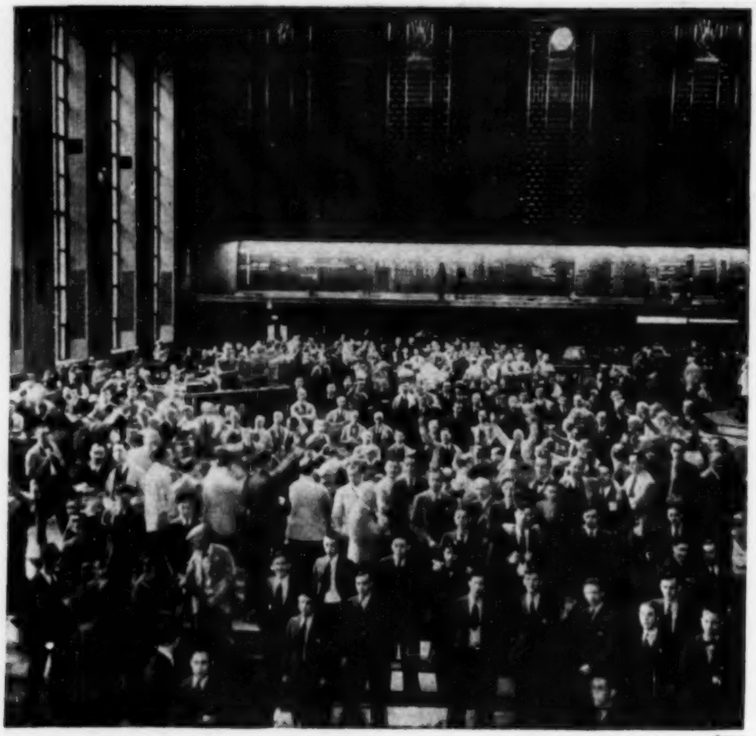
After the Farm Board had begun to peg the price of the 1930 crop, trading in wheat became so poor a speculative prospect that members of the Chicago Board of Trade began to transfer their seats to Winnipeg, and the New York Produce Exchange finally revived a futures market in wheat for trading in the Canadian grain in bond at Buffalo.

Wheat trading has not yet been restored to its former vigor and may never be. With threats of revival of export debenture or equalization fee devices for stabilization, as well as of further regulation of exchanges, the shadow of governmental interference still hangs over the Chicago pit and the 14 other grain markets in this country.

New York's Hope

The New York Produce Exchange, in resuming futures trading in Canadian wheat, based its plans on the long-range prospect that the government would eventually succeed in putting United States wheat production on a strictly domestic basis and take this country out of the world market, while Canadian wheat was sure to remain in the world market for a long time.

Since the Grain Futures Act was adopted in 1922 the tendency has been steadily to increase the restrictions upon futures trading in domestic farm products. As a result, aside from grain, cotton, eggs, and butter, there has been no progress in this country toward the



Acme

To Market, to Market—*Stocks and bonds take their places beside wheat, corn, oats, rye, barley, provisions, and cotton as the securities market of the Chicago Board of Trade is moved to the main trading floor, concentrating in one room the whole range of markets*

development of large exchanges for such commodities. Efforts to establish a wool exchange have been abortive.

International Debate

The debate over the economic value of commodity exchanges, especially for futures trading, has gone on interminably for years against more and more definite political hostility. Although such exchanges are unquestionably open to abuses, like security exchanges, economists are pretty well agreed that they are not only valuable but in many cases necessary for commodities subject to wide seasonal fluctuations in production and marketing, nonperishable in nature, produced by a great number of scattered growers and entering into world trade.

The hedging facilities offered by very broad speculative interest in such commodities help to a certain extent to smooth out the process of distribution, even though they may not greatly diminish the fluctuations in price. They enable producers lacking facilities for carrying their products from the crop season to the time consumers demand them, to dispose of them for more than could be gotten by immediate selling, even though the return may not be greatly different from what could be obtained by paying the carrying costs themselves.

Certainly in grain and cotton it is difficult to imagine any machinery of smooth distribution throughout the year being built up to take the place of the facilities offered by the exchanges. It seems absolutely necessary for millers and cotton manufacturers to be able to hedge current purchases by future sales in order to protect themselves against price changes in the interval between purchase of raw materials and marketing of the finished product.

Speculators Needed

The entire wheat and cotton crops come to market in a few weeks. Unless the government were prepared to establish and finance cooperative organizations to hold the whole crop throughout the year till required by consumers, it is hard to see how they could be successfully distributed without the aid of speculators. Moreover it is practically impossible for growers to secure loans from ordinary commercial bankers unless the grain and cotton are protected by hedges. The same is true of grain dealers or warehouses.

The Farm Board is well aware of these elementary facts, even though the law commands it to minimize speculation. When the Senate Agricultural Committee was considering the Capper-Dickinson Bill, it asked Mr. Legge's opinion about it. The former chairman of the Farm Board, who has said some hard things about wheat speculators, replied emphatically that while he did not like everything that went on in the exchanges, to upset the long established marketing machinery provided by them would have disastrous results for producers and involve heavy loses to the Farm Board.

Co-ops Use Facilities

Mr. Legge went a step farther and said that the exchanges were indispensable to the cooperative marketing organizations which the Farm Board is trying to set up. These associations, he said, are agencies established by farmers to market their products "in competition with private merchants." In order to compete on even terms they must be in position to give the same services and enjoy the same advantages by making use of the existing marketing facilities, especially futures trading operations. Resorting to hedging operations, he said, greatly reduces the problem of financing, and he pointed out that the Farmers' National Grain Cooperative in the last 6 months of 1930 would have suffered disastrously heavy loses if it had not hedged its wheat supplies.

Accordingly "the board has not deemed it wise to insist that cooperatives should abandon these practices; on the contrary, it is of the opinion that, under present conditions, appropriate use of the futures market by the cooperatives is essential to their successful operation and *is even a means of minimizing speculation.*" In this curious way the Farm Board chairman tried to harmonize the mandate of the law with the stubborn facts.

Perhaps the most striking evidence of the paradox with which the Farm Board has been struggling in its attempt to carry out the inconsistent provisions of the law, is seen in the relation of the board's stabilization activities to the commodity markets in both wheat and cotton.

The Pegging Paradox

Although the effort of the Grain Stabilization Corp. to peg the price of the 1930 crop in recent months tended to dry up speculative interest in the wheat pit, the very success of pegging depended upon the strength of the futures market in wheat, and the steady weakening of speculative support in that market was a major factor in the

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loss which the Stabilization Corp. incurred.

Mr. Legge himself cites the facts just mentioned as the reason that forced the board to the conclusion that the Stabilization Corp. must operate in both cash and future markets to be able to handle the situation. The only alternative, he says, would be for the corporation to assume the burden of a much greater proportion of the market supply. This might easily result in tying up in grain operations alone an amount exceeding the entire revolving fund.

"In the current wheat stabilization operations it is simpler and more economical to influence cash wheat prices by supporting purchases of futures in addition to purchases of cash wheat." In other words, successful stabilization operations themselves depend upon the very commodity trading on the exchanges which they tend to destroy.

The United States Chamber of Commerce last fall thought it was giving a quiet slap to the Farm Board when it took a referendum on the value of commodity exchanges, which resulted in almost unanimous endorsement of them by the membership. But in view of the extent to which the board's operations themselves, particularly in stabilization, have depended upon the exchanges, there would seem to be little to worry about on that score.

Prospects Are Doubtful

So far as the exchanges are concerned, the prospects seem rather doubtful. If the board is successful in its fundamental program of building up national cooperative marketing organizations which will ultimately handle a large part of the crop, it is probable that some of the exchanges and their associated activities will find their business gradually restricted, although it is unlikely that they can ever be dispensed with.

As regards wheat, the Farm Board's success in putting production on a domestic basis, if that is ever achieved, might almost wholly eliminate the need for the grain exchanges, because it is its relation to the world market that now gives the speculative interest in grain trading what vigor it has.

Keystone

CAPTAIN CROWLEY—*The new president of the Merchant Fleet Corporation, operating subsidiary of the Shipping Board. He has sailed as mate and master, came aft from the fo'castle, will know how to handle his new command of 500 ships*

Steamship Lines Plan Pool To Advertise Travel, Not Ships

Steady decline in transatlantic passengers has affected all classes except "tourist third"

WITH the Cunard Line forced to pass its dividend due to a decline in net from $2,750,000 in 1929 to $93 thousands in 1930, and other transatlantic lines facing shrinkage in their earnings, shipping officials are hard at work studying trends of traffic to determine ways and means of promoting travel in the North Atlantic ship lanes.

A count of the total number of berths available in the North Atlantic service (based on the average number of round trips by ships of 14 lines) shows that in each class there are now twice as many berths as passengers. During the summer season, space is filled to capacity; off-season travel is too thin to pay operating costs of many ships.

Special Cruises Help

As a stop-gap, steamship lines are sending an increasing number of vessels on winter and summer cruises. Latest cruise plan is by Cunard, which announced this week that the *Mauretania* will make weekend trips from New York to Nassau between sea crossings. More basic promotional plans to build business include a joint advertising campaign, to which all the lines will contribute on a proportionate basis, aggregating $500 thousands annually, merely to "sell" the idea of European travel as such, regardless of the destination or route of the travelers.

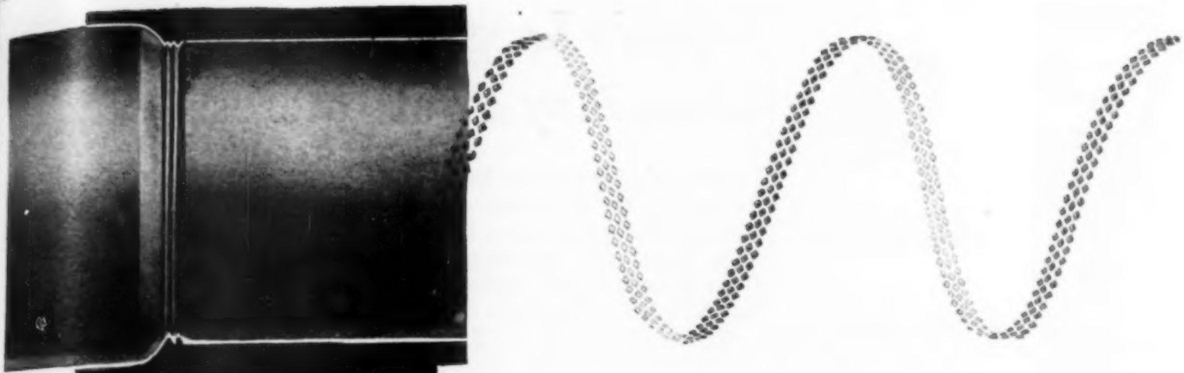
The dozen palatial liners, now under construction or projected, furnish further incentive to the space-filling ardor of the steamship companies. Consensus is that the new ships will attract business to themselves, leaving first and other class ships of older vintage white elephants on the hands of their operators—unless travel can be greatly stimulated.

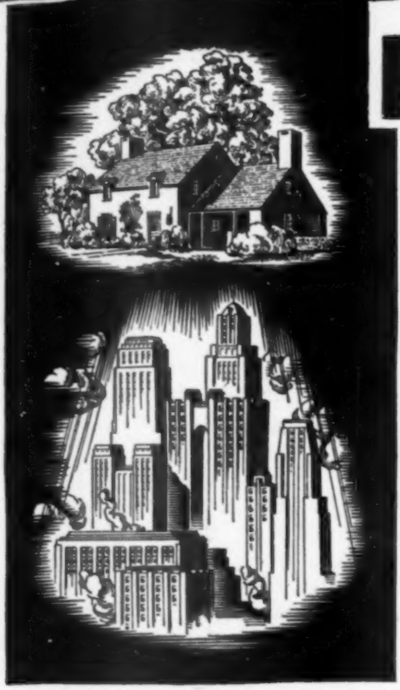
Total transatlantic travel, all classes, has dropped from 2,585,000 in 1913 to 1,248,000 in 1929 (the peak of recent years) and to 1,175,000 in 1930.

A breakup by classes of this annual travel between American and Canadian ports and those of Europe furnishes more illuminating totals. In round thousands the record on first-class passengers runs: 1913, 215; 1926, 188; 1927, 199; 1928, 196; 1929, 200; 1930, 165. Second class is virtually on the way to extinction with decreases averaging 10 thousand passengers a year. Straight third class has been cut by the immigration laws from a pre-war 2 millions to less than 500 thousand.

Cabin Class Down

Reports on the new cabin class, to which steamship lines have pinned high hopes, are none too encouraging. Its record in round thousands shows: 1926, 175; 1927, 176; 1928, 182; 1929, 173; 1930 (obviously reflecting the depression), 162. But the popular tourist third, vehicle of "educational travel," tells a different story. Its annual load in thousands has risen amazingly from 81 in 1926 through 155 in 1927, 191 in 1928, 223 in 1929, to 267 in 1930. The steamship men are beginning to wonder if here lies their ultimate source of greatest profit.





Japan's Largest Steamship Lines May Pool Interests

JAPAN'S shipping interests have joined the ranks of the rationalizers. Nippon Yusen Kaisha (Japan Mail Steamship Co.), largest shipping company with Oriental registry, and Osaka Shosen Kaisha (Osaka Mercantile Steamship Co.), second only to N. Y. K., are "negotiating" in Tokio. Rumors hint at anything from a mere gentlemen's agreement covering all sailing schedules, to a pooling agreement similar to the pact signed last year between the North German Lloyd and the Hamburg American lines (*BW—Apr2'30*).

No Surprise

Negotiations between these two companies come as no surprise. For more than 10 years they have had certain agreements concerning sailing schedules on competing lines. On the Seattle run, this covered sailings. On other services, particularly the Australia line, the pact covered only freight. O. S. K. competes with N. Y. K. passenger service only on the Seattle, South America, and Bombay lines.

Following the general depression trend, profits for both companies have dwindled of late. N. Y. K's dividend of 8% in 1928, dropped to 5% in 1929, and in 1930 no dividend was declared. Authorities point out that present negotiations are only preliminary but shippers look for a pooling agreement to result.

Have 149 Steamers

All the world is interested. N. Y. K., with 10 lines serving all continents with 149 steamers and a total of 873,231 gross tons, is the epitome in Japan of all that is modern. Established in 1885, it inaugurated regular sailings to Europe in 1896, to the United States and to Australia in 1897. Soon after the opening of the Panama Canal, the company began to carry freight to New York on a regular schedule. The South American service came later, has become important, includes the carrying of emigrants to the large Japanese colonies now established in Brazil.

Americans are familiar with N. Y. K. Into San Francisco in 1929 came the *Asama Maru*, palatial new 21-knot, 16,500-ton motor ship. In 1930, the *Chichibu* and *Tatsuta*, sister ships, were added. Japan with both speed and luxury was bidding with the Canadian Pacific and the Dollar lines for a larger share of the transpacific trade.

Seattle, base for ships sailing the shorter northern route to Yokohama, was assigned 3 new and equally fast but smaller motor ships—the *Hikawa, Hiye,* and *Heian*. Crossing is made in less than 11 days. The ships carry "tourist third," are the first to bring this popular innovation to the Pacific. Also, because of their speed, they carry vast shipments of silk.

In Japan, N. Y. K. points with greatest pride to its 26-hour service between Nagasaki (Japan) and Shanghai (China) in 5,300-ton modern boats making 21 knots.

O. S. K., though it operates over many of the same routes, is less widely known in this country because it is much more a freight carrier. With 114 steamers of a total of 510,000 gross tons, it operates 8 lines, is known in Seattle for both freight and passenger service, sails 9 vessels into New York on a tri-weekly, freight-only schedule.

Many Short Lines

In Japan, O. S. K. is best known for its extensive coastal services and short lines to Vladivostok, Korean ports, North China ports, and to the Indies. In contrast it operates a round-the-world service touching at Singapore, Colombo, Cape Town, Santos, and Rio and (via the Panama Canal) to Los Angeles and home. Ships are specially built for the 3,400-mile run under tropical sun from Cape Town to Santos, the 4,800-mile stretch from Los Angeles to Yokohama. Two new ships were added to this run in 1930, built especially to carry more than 1,000 emigrants each.

Like N. Y. K., the O. S. K. line has found speed a valuable factor in the shipping business, has made a strong bid for the Australian wool business by introducing 3 new motor ships speedy enough to make the run from Brisbane to Kobe in 13 days, shorter by 6 days than previous runs.

Trend Toward Mergers

Japan ranks only after Great Britain and the United States in the size of its merchant marine. The trend in recent years has been toward rationalization. Small shipping companies have been merged. Obsolete ships have been scrapped (*BW—Sept17'30*). Faster and more luxurious liners are competing for passenger service; specially-built speed freighters are after the silk, wool,

fresh food, shipping business. Freighters at 19 knots are carrying silk from Yokohama to New York in 28 days. A pooling agreement to avoid duplicating schedules, double overhead, divided efforts, is likely to be Japan's answer to similar moves by other national merchant marines.

Politics Tinge Skoda's Deal for Roumanian Plant

EUROPEAN NEWS BUREAU—More often than in America, commercial moves in Europe are dictated by politics. Last week negotiations in Bucharest, with important Czechs participating, were strongly political. Representatives of the Skoda Works, famous Czechoslovak steel and munitions factory, are offering to buy Roumania's Cugir-Copsa Mica, also a munitions factory.

Skoda is important among Central Europe's steel products manufacturers. The factory, located at Pilsen, is in a strategic position commercially, but military authorities worry because Pilsen is only 60 miles from the German frontier. Like Roumania, Czechoslovakia is a satellite of France. Cordial relations between the 2 are encouraged by France.

Plant Idle

Cugir-Copsa Mica is in Transylvania, one of Roumania's best protected provinces. It is owned by the Roumanian government in partnership with Vickers, of England. Designed originally to supply the Roumanian army with portable armaments, the plant never was utilized as a peacetime producer. For months at a time it was entirely idle. Part of the machinery has never been set up.

Vickers has already agreed to sell to Skoda its $960,000 interest in the plant. The Roumanian government holds another $1,050,000 of the capital, has not yet made up its mind to sell, but is confidently expected to do so.

When the deal is completed, Roumania will have a new industry, a long-needed munitions factory within its borders; Czechoslovakia will have a second source of supply in an adjoining allied country, will be encouraging closer trade relations with Bucharest.

"Checks" Formally Defined at Geneva Conference

EUROPEAN NEWS BUREAU (*Radio*)—Bankers in every part of Europe will now know what bankers in every other part mean when they say "checks." Of course, they had an idea before,

but differing national laws defining checks left considerable room for legal shifting, hindering the efficient transaction of international business.

Now the Geneva international check conference (*BW—Mar4'31*) has successfully concluded and framed 3 conventions signed by 26 states (subject to ratification) providing (1) an accepted uniform text defining checks; (2) settlement of conflicting laws; (3) a fiscal convention whereby signers undertake not to subordinate the validity of obligations arising from checks to the observance of stamp duty obligations.

European states bind themselves by the first convention to make the uniform law a part of their national legislation.

Russian Oil and Cotton Beyond Expectations

BUSINESS underlined 3 items in the week's news about Russia. The first concerns oil, the second cotton, the third the Polish trade delegation which is to visit Moscow.

Oil: Daily production now exceeds 58,000 tons—more than 1,000 tons over the quota established in the Five-Year Plan—and the Plan has 2½ years to run. With annual production now at 27½ million tons, the production for 1933, last year of the Plan, has been jumped to 46 million tons. Where the production of coal has fallen short, oil is filling the gap, is finding a ready export market.

Already well established in Italy, Germany, France, and Great Britain, the Russian Oil Trust is constantly on the alert for new markets. Brazil and South Africa are newest outlets. São Paulo has received a shipment of 20,000 cases of gasoline and 10,000 cases of kerosene, and there are reports that prices are being cut. In South Africa, it is reported the Russian government is financing to the market a large quantity of oil to sell at prices which will compete with the best offers European and American companies can make.

Cotton: The obscure note from Manchester, England, in January, that Lancashire was buying 13,000 bales of Russian cotton has had repercussions. The world has dug up facts, is worried.

Before the war, Russia imported annually 845,000 bales of cotton. In 1926-27 (peak year) the United States alone sold the Soviets more than half a million bales. Since then the amount has dropped drastically. Russia is jumping domestic production. The sales

Underwood & Underwood

COTTON CARAVAN—*The red flag of the Soviets flies from every load, warning hostile tribes that the bales of cotton are government property*

to Manchester are feelers only, but in the light of the Plan, are a portent to worry growers.

Under the Plan, 43 irrigation projects in cotton growing regions are opening vast new areas. Acreage is to be increased from 2,700,000 in 1930, to 4,400,000 in 1931. To this can be added 1,200,000 acres which do not require irrigation. Production has risen from 41,000 bales in 1921, to 1,900,000 in 1930. This is 12% of U. S. production; 6.7% of world production. The 1931 crop is expected to reach 3½ million bales. Home consumption requires 2 million bales now, 3 million at the end of the Plan. Russia, evidently, is going to be ready to export besides supplying a huge market with finished goods. With Russian cotton now selling in Lancashire for ½¢ less than American, the Southern grower is paying heed.

Poles After Orders

Polish trade delegation: Germany's recent mission brought home orders, an unexpected degree of confidence in Russia, and the arguments necessary to persuade the Reich to grant additional credits to guarantee Russian orders. Poland wants more business. Led by the chairman of the Federation of Polish Industry and Finance, a delegation of prominent industrialists will spend most of April in Russia. Railway equipment and steel orders heretofore have bulked large. The present delegation expects to expand these.

Europe is watching with interest this move toward closer trade relations between Russia and Poland.

Furs, Once Money, Are Now a Business

Use of furs as money has put the West Coast Grocery Co. of Tacoma, Wash., into the fur business. About 20 years ago, when it started looking to Alaska as a market for groceries, the company found Alaskan prospects short of cash, long on furs, limited in outlets for them.

The wholesaler decided to trade a fur marketing service for the grocery patronage of the Alaskan trading posts, applying proceeds of its fur sales against grocery purchases. The idea was so successful that in 1926 it organized West Coast Fur Sales, Inc., to take over the service.

The furs are now sold on 5% commission at monthly open auctions which attract buyers from the entire country, gross approximately $100,000 a year.

Business Abroad—Swift Survey Of the Week's Development

Last week's **lull has not run its course, but world business confidence is returning. . . . Europe is still reacting to fresh proposals relating to the Austro-German customs union. The Franco-American credit to Spain brought a sputter from London. . . . Commodity markets irregular. Non-ferrous metals weak. Iron and steel recovering. . . . Except for reaction on Australian and certain Latin American issues, the market firmed. New offerings neglected. . . . Japan regains last week's losses, makes new gains. Cotton especially active. Shipping stocks rise on merger rumors. . . . Latin outlook little changed. Peru defaults. Nicaraguan business upset by quake.**

European Picture Improved by Germany

EUROPEAN NEWS BUREAU (*Radio*)—The week has been characterized by further irregularity on commodity markets which so far, however, has failed to shake growing business confidence. The lull in activity is unchanged and general conditions are likely to remain the same till after the Easter holidays.

Wool and rayon, and to a less extent, cotton, continued strong and active. Iron and steel showed signs of improvement and forecasts for April anticipate further expansion. But non-ferrous metals developed pronounced weakness throughout. This weakness, and the further relapse of rubber, while partly attributable to market conditions, is due more to uncertainties arising in connection with current production restriction schemes. Whether they will be consummated, either for rubber or lead, or whether they can prove effective, as for copper, remains open to question.

Securities Dull

Security markets are listless except for the further advance in Berlin. In fact, the most promising factor in the general picture is the continued improvement in Germany, until recently the center of depression. Both domestic and foreign confidence has strengthened markedly, as reflected in German securities and the influx of capital which has strengthened the Reichmark to the point of permitting gold purchase in Paris this week, and gradual relaxation of money.

Employment picked up on signs of somewhat stronger demand on German domestic markets, coupled with the maintenance of exports and further symptoms of the improved trend. Internal political conditions have greatly strengthened, reflecting the able leadership of Chancellor Bruening. With 6 months respite from political friction ahead, as the Reichstag adjourns for the summer, and with the budget bill sharply cutting expenditures, the crisis seems safely to be passed.

Stabilizing the Peseta

Europe is not a little surprised over Franco-American eagerness to back the Spanish credit relative to stabilizing the peseta, particularly in view of political uncertainty in Spain. England frankly criticizes lending such large sums with Spain's huge gold reserve lying idle.

Political uncertainty is again stirred by the new hitch in the drafting of the concrete provisions of the Franco-Italian naval accord. Both parties declare the British mediators misrepresented the extent to which each was ready to make concessions.

The week produced fresh evidence that investment response is still closely restricted to gilt edge offerings and is leery of foreign loans. While the first International Mortgage Bank bonds were oversubscribed, the Roumanian, Greek, Cosach, and Lancashire Corp. issues were largely left on the hands of the underwriters.

The international wheat conference at Rome so far has accomplished nothing of more than academic importance. An "international marketing board" and "export quotas," admittedly a probability, have brought forth an avalanche of debate. European preferential tariffs have not been forgotten, nor the idea of encouraging international farm credits. It is significant that proposals to reduce the world's wheat acreage have been dismissed as useless.

British Business Static But Prices Hold

Business unimproved, but prices firmer. . . . Wool, rayon, coal in better demand. Cotton lagging. . . . Threat from Australia, uncertainty in India affect stock markets. Week's issues poorly absorbed. Money tighter. . . . Unemployment down. Wage disputes settled.

LONDON (*Radio*)—Business has not improved, but prices are firmer and there are many evidences of confidence behind the present temporary lull. Wool and rayon are better. Cotton has suffered a slight setback. Coal has responded to spring demand. Failure of lead producers to reach an agreement at their conference in London sent lead prices down. Trading continues

The Business Week—European News Bureau

TOBACCO TESTERS—*The spring sale of Sumatra in Amsterdam gave the unemployed a chance to make 24¢ an hour smoking the finest cigars to test the ash formation. Between smokes, they drink the free milk provided*

to be erratic. The non-ferrous group generally is unsettled.

There is again marked money stringency in Lombard Street. Stock markets reacted downwards to the threat of default in Australian bonds and to the uncertainty of the outcome of the India congress. Other adverse factors include the passing of the Cunard dividend (see page 30) and the sharp fall in the price of molasses.

Employment Better

Labor conditions have improved. Unemployment decreased 50,000 for the second consecutive week. Strike threats are vanishing. Acceptance of the wage reduction award by the railway unions brings a promise of 12 months of peace, but dissent in some sections of the industry is still strong and is causing trouble. A virtual "work-to-rule" attitude has been adopted which may cause employers many worries even before the new truce ends. In the building trades, strikers have agreed to a 6 months' truce to reconsider new terms. Electricians in the London area are still on strike, but settlement seems near.

Britain's faith in her colonies, despite obstreperous demands which have multiplied within the year, saved a threatening situation from becoming serious this week. When Australia's aggressive state of New South Wales announced a decision to default on outstanding indebtedness, London gasped but fell back quickly on the responsibility of the Commonwealth to meet the situation. Canberra met the challenge, announced that service charges would be covered, and markets stiffened at once. They actually rallied when it was fully realized that the whole episode was due to extremist agitation not any more favorably received in the dominions than in Britain.

"Foreign Bonds Keep Out"

The investment market has reasserted itself, refused to absorb other than gilt-edged issues, shown marked antipathy toward foreign bonds. To the failure of the Greek issue last week, are added the Cosach and Lancashire Corp. issues. The Cosach (Nitrate Co. of Chile) loan, about $20 millions of which was offered on the London market, is reported to be left 90% on the hands of the underwriters, while the issue for the Lancashire Corp., the cotton industry's planned effort to back a huge rationalization scheme similar to the move made by the shipbuilders last year (*BW—Oct8'30*), was a complete fiasco, nearly 96% being left with the underwriters.

The budget deficit, according to the latest revenue returns, is about $116 millions and there is complete uncertainty as to Snowden's intentions for a revenue tariff. Traders now are diffident about commitments until the worst is known. There is a general feeling that if there is no tariff for revenue this year, it must come next, either from the Labor, or from a united Tory, government whose victory in the next election is rendered almost certain by this week's Beaverbrook-Baldwin concordat.

The movement to bring new industries to Lancashire to absorb the unemployed textile workers has reached the state where local bankers have formed a subcommittee. Local authorities are cooperating, as well as trade unions, universities, and port authorities. All Britain is following the movement as a trial case of readjusting the vast army of unemployed to new industries.

German Politics Cool, Business Brightens

Steady tone maintained despite customs turmoil. Adjournment of Reichstag relieves business. . . . Stock market recovers. Money relaxes. Reichsmark is firm. . . . First refinery for German oil.

Acme

EXPRESSMAN—*William J. Thomas, vice-president and director for Europe and the Near East of the American Express Co., spends his holiday on the French Riviera*

BERLIN (*Cable*)—Passage of the budget bill before the close of the fiscal year, also the passage of the program for East German farm relief with subsequent adjournment of the Reichstag until October, mark the termination of an agitated period in German politics, and an important step forward toward political and economic consolidation with Chancellor Bruening in undisputed control for the next half year. Business is greatly relieved. The Hitlerite wave shows definite signs of subsiding, their tactics since withdrawing from the Reichstag being a complete failure. On the other hand, the Socialist group by compromising and indirectly supporting Bruening, has caused a shifting of the radical wing to the Communists who showed disquieting gains in the last local elections.

More Optimism

The improved political outlook, together with growing confidence, is reflected in the optimistic speeches of Doctor Duisberg, president of I. G. Farbenindustrie, and of Herr Mendelssohn, chairman of the Association of Chambers of Commerce. Duisberg sees possibilities of a pickup due to depleted consumers' and dealers' stocks, to the better tone on the stock exchange, and to easier money on capital markets. Even the Government Bureau of Business Research, usually over-pessimistic, is more cheerful.

The stock market, after a set-back, has resumed its steady upward movement while rates on foreign short term funds, notably Swiss and Belgian, have relaxed further. The mark is firm. The first gold purchase from London is likely to be followed by purchases in Paris since the franc rate is close to the import gold point. The reduction of the Reichsbank rate till mid-April is technically justified if the end of the quarter settlement is as easy as anticipated, but much depends on the European political situation in connection with the customs union turmoil.

Industry is looking with suspicion and disapproval at the visit of Shinwell, Britain's Minister of Mines, who has arrived to negotiate with Dr. Stegerwald an agreement for coordinated reduction of working hours in the coal mines. The Labor government is anxious to secure German support in view of their own pledge to miners. German mine owners fail to see why their government should help the British Labor cabinet get out of a pinch, and point out that Germany cannot consider a reduction on social viewpoints only, since reparations force Germany to export, while already British coal is competing on the German market, having penetrated as far as Berlin. Strong pressure has been brought to bear on Stegerwald. Mine interests are resolved to sabotage any international agreement for shorter hours.

Lloyd-Hapag Earnings

The 6% dividend by Lloyd-Hapag in first year of the pooling agreement was unearned and paid out of funds released in the United States. Smaller receipts for the freight-carrying Hapag, balances satisfactory earnings for the passenger-carrying Lloyd, partly due to the successful operation of the *Bremen* and the *Europa*. This suggests the strikingly complementary character of the business of the two. While the report anticipates better freight business, stimulated by the expected improvement in overseas raw material markets, it views with dismay the prospect of the appearance on the Atlantic of the subsidy-built new American, French and Italian liners.

There are important developments in the German oil industry. (1) Wintershall, Preussag, Elwerath, (expanding their Hanover holdings), announce their decision to build the first refinery for German oil, to cost $2 millions, and to have an initial capacity of 70,000 tons of crude; (2) federal postal department has made a contract with Elwerath to cover total requirements of gasoline. Pending completion of a refinery, the gasoline is being supplied by the German Sinclair subsidiary.

Banks Weather Cuts

Balances at the 4 big banks—DDBank, Dresdnerbank, Danatbank, Commerzbank—are now available, show they have weathered the depression and the panic which largely was responsible for the withdrawal of $180 millions by creditors. Disregarding dividend prestige, the banks made a sweeping cut of dividend uniformly by 4%. The DDBank was forced to purchase $8,300,000 of its own shares in order to support the demoralized market and

has used the opportunity to reduce its own capital an equal amount. The abnormally high quota of foreign short term creditors—$1.1 billions of the total of $2.7 billions—is a factor of uncertainty and instability in the German credit system notably in these times of political and financial complications, though otherwise it is the opinion of bank experts that the Big Four, despite losses, is fundamentally sound.

French Affairs No Better

Business is poor. . . . Seasonal retail activity fails to lift business indicators. Pig iron and steel production down. . . . Unemployment gains. Coal strike averted. . . . Colonial commercial expansion encouraged.

PARIS (*Radio*)—Poor business, poor prospects—this is a fair summary of the economic outlook for France. The week's featureless developments are devoid of any real significance.

Retail activity is seasonally expanded, but basic production and the usual business indicators continue downwards. February pig iron production dropped 11% below January output. Steel was off 7%, touched the lowest output figures since November 1927. Compared with 147 blast furnaces in operation last June, only 132 are now busy. In April 1929 (peak month), 158 were in operation.

Unemployment gained another 6% during the week.

Budget Bill Passed

The budget bill was finally jammed through both chambers of Parliament without reducing the all-time high of $2 billions, and with (on paper) a scant surplus of $120,000. The Ministry of Finance optimistically declares it will work, that, despite the narrow margin, enough credits will not be used, and enough economies effected, to maintain equilibrium. Practical business men in Paris are less hopeful, openly anticipate another heavy deficit next year, dwell on the fact that France has unwisely saddled itself with the heaviest expenditures of any previous budget and at a time when the country's business is fast giving way to the world depression which France, until recently, has escaped.

The coal strike is again avoided, and the temporary agreement of miners in the northern districts to accept a 6% wage cut, if adopted in other districts, may become the basis for a national settlement without further troubles. The government is cooperating, has conceded a 15% cut in rail rates for hauling domestic coal, notwithstanding the year's staggering railway operating deficit of $100 millions.

France's position is different from that of either Germany or Great Britain where miners have caused labor difficulties. Although French production in 1930 established an all-time record, the local mines could supply only two-thirds of the country's consumption. The balance was imported (more than half of it from Britain) from sources where prices have been thoroughly deflated. The appeal of French miners for a protective import duty got so far as a bill in the Chamber, but it was tabled in the closing rush of business connected with the budget.

Tariff Tendencies

As local business depression deepens, protectionistic tendencies expand. In addition to coal (the bill proposes a 3-fold duty increase), bills tabled by the Chamber included increases of duties on alimentary pastes, newsprint, rubber, coffee, sisal, and wine, while a decree promulgated on Mar. 28 imposes prohibitive imposts on pork and pork products, which the United States sends in volume to France.

The proposed rubber duty is a blow to the latest Anglo-Dutch hopes for a restriction plan (*BW—Apr1'31*). France is taking a new interest in expanding the commercial interests of the colonies. Concrete evidence is the Colonial Exposition which opens in Paris May 1. Just as important are plans to finance and supervise vast colonial projects. One of these is a scheme to create a fund of $2 millions to subsidize colonial rubber production. The domestic import duty on rubber is to be increased. The revenue will create a fund. When the price of long rubber is below 5½¢ a pound, the difference will be paid to growers. When it is above this figure, they will contribute the difference to swell the fund.

Free Visas

Passport and visa requirements, for the first time since the war, are to be abandoned for the 5 months of the Colonial Exposition—May 1 to Oct. 31—with the hope that Paris can attract even more than the 2 million visitors who came in 1930. Europeans with national identity cards will need no passports. Americans will need passports for identification, but to all, French visas will be given free, will allow visitors to enter France and re-

turn as many times as the holder desires, and will free him of the necessity of applying for an identity card in France.

Latin America Continues Weak

Business featureless. . . . Argentina continues to improve. . . . Cosach loan poorly received. . . . Earthquake upsets Nicaraguan business.

LATIN business has failed to develop strength this week and the default on Peruvian bonds, the lack of interest in the bond issue for the Nitrate Co. of Chile, and the Nicaraguan earthquake cast a shadow over the whole outlook.

Argentina continues to be the bright spot. Peso exchange is steady. With $9 millions in gold shipped to this country in March, it is rumored that another $5 millions is to leave Buenos Aires for deposit with the National City Bank.

The Cosach loan (for the Nitrate Co. of Chile) was offered in London this week but failed to prove popular. New York underwriters are holding off for a better foreign bond market.

In Nicaragua, the earthquake which almost completely destroyed Managua has put a damper on all business activity. American property affected by the earthquake is small, but the $8½-million business will be disrupted for some time.

Better Textile Activity Feature in Japan

Relapse overcome. Trend steady and upward. . . . Textile curtailment partially removed; cotton imports large. Silk exports down, prices improved.

JAPANESE business staged a spectacular comeback this week, recovering most of last week's losses and, in the textile industry, making new gains. The tone is good. Money is easier. The market is stronger both for stocks and bonds.

The Diet ended its sessions after passing 2 bills offering only minor tax cuts, and the new $745 million budget. The deficit for 1930 will be $40-50 millions.

With spinning mills about to resume fuller activity on Apr. 1, cotton trading launched into a burst of activity. Imports in the last 10 days of March totaled $6½ millions.

Rumors that Nippon Yusen Kaisha and Osaka Shosen Kaisha, Japan's 2 largest shipping companies, will pool their interests (see page 32), sent N. Y. K. shares up to a new high.

Wide Reading

BUSINESS IS AFRAID OF THE TRUTH. Alvan T. Simonds. *Nation's Business*, April. Men who could have warned of the depression of 1929 did not because such prophecies would have made them unpopular.

THE GOLD SHORTAGE AND WORLD PRICES. George E. Roberts. *Forbes*, Apr. 1. We need better management of international settlements.

THE SECOND YEAR OF THE DROUGHT. J. Russell Smith. *New Republic*, Apr. 1. What it means now and next year.

THE COUNTRY WEEKLY. Sherwood Anderson. *Forum*, April. An opportunity for young journalists.

HURDLING THE CUSTOMS BARRIERS ON YOUR MAILINGS TO AFRICA. Roberta Wakefield. *Export Advertiser*, March. For the exporter interested in this growing market.

THE ECONOMIC SITUATION IN POLAND IN 1930. S. K. Kushelevsky. *Commerce Reports*, Mar. 30. This 30-million market for American products has had ups and downs but is essentially sound.

THE STATUS OF SOVIET LABOR. *Economic Review of the Soviet Union*, Apr. 1. The prison system, status of former kulaks, elimination of unemployment, trade unions, measures to reduce labor turnover—defended by the Soviets.

WHAT IS SOYA BEAN FLOUR? *China Weekly Review* (Shanghai), Mar. 7. Rich in protein and fat, it is winning a wide market. Italy, Austria, Hungary, England are prepared to mill it. America may grow it.

COLOSSUS OF THE CARIBBEAN. *Fortune*, April. World's largest airline. Links North and South America, may extend to Europe. An adventure which almost pays.

FLORIDA ADOPTS THE CHINESE TUNG NUT. Inez Hale MacDuff. *World's Work*, April. A new oil industry at home—varnish oils which formerly came from the Orient.

BOOKS

WOOD, LUMBER AND TIMBERS. Philip A. Hayward. Chandler Cyclopedia, New York, 521 pp., $10. Volume I of the Chandler Cyclopedia for the scientific selection, purchase, and use of commodities, with halftones and maps showing geographical range of the various species of timber covered.

BUSINESS ADMINISTRATION. Willis Wissler. McGraw-Hill, 897 pp., $5. Men, machines, money, materials, markets, methods with reference to their inter-relationships in the every-day world of business.

THE SMOOTHING OF TIME SERIES. Frederick R. Macaulay. National Bureau of Economic Research, 172 pp., $2. Clear presentation of simple mathematical methods enabling the business statistician to determine cyclical movements in economic data.

HARD TIMES: THE WAY IN AND THE WAY OUT. Richard T. Ely. Macmillan, 192 pp., $1.75. A noted economist discusses the seen and unseen causes of business depressions; offers some remedial suggestions.

GOVERNMENTAL CONTROL OF CRUDE RUBBER. Charles R. Whittlesey. Princeton University Press, 235 pp., $2.50. Detailed analysis of the Stevenson restriction plan, its origin, operation, effect and collapse.

The Figures of the Week And What They Mean

Some hesitation is apparent in the steel industry and considerable doubt prevails as to price stability.... The upward trend of car loadings and the recent heavy volume of construction offset the less favorable news of the week.... ***The Business Week*** **index of general business activity remains practically unchanged for the week of Mar. 28 at 80.9% of normal compared with 81.1% the preceding week and 93% a year ago.**

Steel Buyers Cautious

The decline in the Dow, Jones estimate of steel activity for the last week of March from 57% of capacity to 55% reflects the extreme cautiousness of automobile producers who in recent weeks have been the chief stimulators of steel production. Our adjusted index for the industry as a whole declined to 65% of normal against 67% the preceding week and 92% a year ago. Whether the decline represents the beginning of the summer lull, or merely a temporary hesitation, only the next few weeks can tell. In the past 13 years, March has represented peak production in seven instances, while in four cases the spring peak has fallen in May. Steel activity this year has been dependent upon a wave-like series of demands which have partly overlapped each other. Inventory replenishment, rail and tin plate tonnage furnished the basis of steel activity in the early weeks, followed by automobile demands. Now that this source shows some recession, construction activity will probably furnish the necessary impetus for April.

Fabricating Contracts

According to the *Iron Age*, fabricating contracts for the week reached the record total of 166,000 tons, passing the large tonnage of 155,000 reported the previous week. Awards of concrete bars last week are the largest in over a year, and indicate the seasonal pressure from highway and public engineering projects. Line pipe, reinforcing steel and road-making equipment inquiries are also heavy.

Though automobile producers are regulating their schedules on a week to week basis, the April output promises to exceed 300,000 units for the United States and Canada, so that this source should contribute considerable tonnage. The March estimate of automobile production—excepting Ford—of the National Chamber of Commerce is placed at 187,848 units against 148,818 in February, an increase of 26%, and 246,828 a year ago, or a decrease of 24%. The first quarter of 1931 now appears to run 28% behind the corresponding period of 1930.

Building construction for March is the bright spot on the horizon with a volume of $370.4 millions against $235.4 for February and $456.1 for March, 1930, representing a 57% increase over the preceding month and a 19% lag compared with a year ago. Public works and utility contracts, equalling 41% of all contracts awarded, showed a 63% increase over February on a daily basis, while non-residential contracts, 32% of the total, exceeded February by 26%. Residential contracts though the smallest of the three groups showed a 10% gain over February daily average awards and were only fractionally smaller than a year ago. The exceptional volume of contracts for March makes the month the largest since June, 1930, when heavy public works contracts raised the total to $600 millions. Our adjusted index based on the past four weeks moved downward slightly to 76% of normal compared with 78% the preceding week.

	Latest Week	*Preceding Week*	*Year Ago*
THE BUSINESS WEEK INDEX OF GENERAL ACTIVITY	**80.9**	**†81.1**	**93.0**
Production			
Steel Mill Operation (% capacity)	55	57	75
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis)	$14,278	$13,977	$17,527
Bituminous Coal (daily average, 1,000 tons)	*1,234	1,395	1,305
Petroleum (daily average, 1,000 bbls.)	2,275	2,268	2,514
Total Electric Power (millions K. W. H.)	1,680	1,663	1,706
Trade			
Car Loadings (daily average, all classes, 1,000 cars)	124	122	146
Check Payments (outside N. Y. City, millions)	$4,161	$4,674	$5,334
Money in Circulation (daily average, millions)	$4,577	$4,588	$4,505
Wheat Receipts (1,000 bushels)	6,821	7,905	3,186
Cotton Receipts (1,000 bales)	124	89	101
Cattle Receipts (1,000 head)	*172	†161	148
Hog Receipts (1,000 head)	*498	†512	483
Wool Receipts (1,000 lbs.)	4,000	6,887	4,999
Prices (Average for the Week)			
Wheat (No. 2, hard winter, Kansas City, bu.)	$.71	$.70	$1.00
Cotton (middling, New York, lb.)	$.108	$.109	$.159
Iron and Steel (composite, ton)	$31.67	$31.71	$34.57
Copper (electrolytic, lb.)	$.096	$.098	$.178
All Commodities (Fisher's Index, 1926-100)	75.6	76.0	90.4
Finance			
Total Loans and Discounts, Federal Reserve member banks (millions)	$15,470	$15,518	$16,885
Commercial Loans, Federal Reserve member banks (millions)	$8,121	$8,153	$8,702
Brokers' Loans, New York Federal Reserve member banks (millions)	$1,875	$1,908	$3,968
Federal Reserve System Ratio	83.5	85.4	79.8
Stocks Sold (N. Y. Stock Exchange, 1,000 shares)	13,503	14,578	26,245
Stock Prices (N. Y. Times, average 50 stocks)	$161.01	$163.33	$234.08
Bonds Sold (N. Y. Stock Exchange, par value, thousands)	$53,534	$53,989	$77,851
Bond Prices (Dow, Jones, average 40 bonds)	$96.29	$96.41	$95.71
Interest Rates—Call Loans (daily average)	1.5	1.5	3.8
Interest Rates—Time Loans (daily average)	1¾-2	2-2¼	4
Business Failures (Dun, number)	654	549	533

***Preliminary** **†Revised**

Bituminous coal production fell sharply during the week of Mar. 21, as did coal shipments. Our adjusted index has fallen to 62% of normal compared with 70% the preceding week. The exceptionally mild weather of January and February is the chief factor accounting for the 10% decline in daily production between these two months.

The increase in electric power production that brought the week's output above that of the corresponding week of 1929 was again due to irrigation projects on the Pacific Coast rather than to any increase in industrial demand. Our adjusted index now stands at 90% of normal against 88% the preceding week.

Car Loadings Rise

The definitely upward trend in car loadings during the past two weeks has lifted the total nearly 22,000 cars above the level of 720,000 which has prevailed since the first of the year. The strength shown in the two groups—miscellaneous freight and merchandise of less-than-carlot consignments—is particularly encouraging since these are thought to indicate trade activity. Our adjusted index based on these two groups has risen to 75% of normal against 73% the preceding two weeks and 91% a year ago. Estimates on loadings for the second quarter of 1931 made by the Shippers' Regional Advisory Boards on the basis of 29 major commodities forecast a reduction of 5.8% compared with the same period of 1930. A similar estimate for the first quarter forecast a 5.5% decline from 1930, though actual total loadings will show a far greater decrease, approaching 18%.

The decline of more than 11% in check payments during the week of Mar. 25 took place both in the group of larger financial centers and in the smaller centers and is characteristic of the end of the month. Our adjusted index of debits based on the 140 cities outside of New York remains at 83% of normal against 97% a year ago.

The decline in money in circulation since the first of the month is a normal trend. Our adjusted index has moved downward fractionally to 110% of normal, maintaining its high level largely because the volume of currency has not decreased as sharply as the general price level.

Prices Weaken

Prices on the whole show signs of weakening. Fisher's wholesale index declined after three weeks of stability. Wheat prices have fluctuated irregularly. Spring wheat plantings are reported to be the lowest since 1918, while reports on the fall sown wheat will appear Apr. 9. It is expected that the latter will show an increased yield over a year ago, so that the net reduction in wheat for the season will be insignificant. Corn prices fell sharply. A large crop is expected based on the intentions to plant report which indicates a 5% rise in acreage over last year, which will probably yield a crop 40% greater. Cotton prices were shaded on small acreage reduction prospects. The improvement in the export trade and the sustained demand for cotton textiles are offsetting favorable influences. Considerable improvement in wool consumption by manuufacturing plants during February is indicated by the Census Bureau. Steel prices show weakness, with the advance posted on strip steel withdrawn. Shading on sheet steel has reduced the composite index by 4¢. Cast iron pipe prices have reached a low of several years. The non-ferrous metal markets were dull, with easing of prices in copper, zinc, tin, and silver. Custom smelters this week have offered copper at 9¾¢, but large producers are holding to 10¢. February export business declined from 60,000 to 20,000 tons. No further cut on the export price of 10.30¢ has been made. Tin declined when visible supplies showed but a slight decrease and April production appears to exceed shipments. Rubber prices reached new lows when an exceptionally heavy March export from Malaya was revealed.

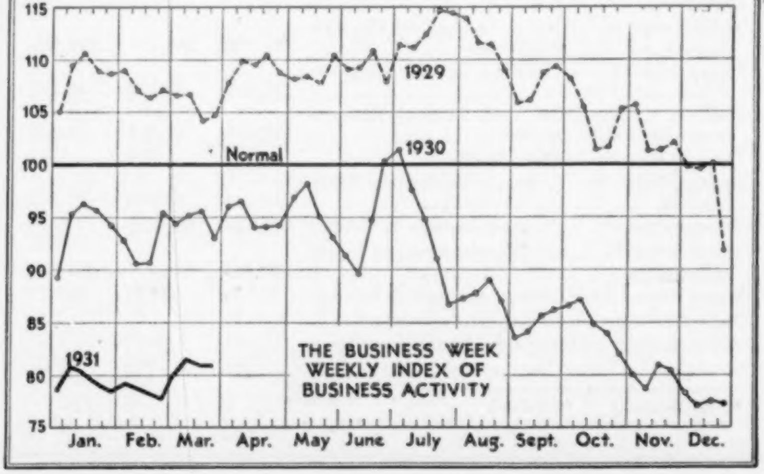
The Index

The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures—steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation see *The Business Week*, May 7, 1930, p. 39.

Commercial loans continue their downward trend, with the largest decrease in the New York district. When adjusted for price changes, seasonal and long time trend, the index remains unchanged at 109% of normal.

Failures Up

The number of commercial failures reported for the week of Mar. 26 rose sharply compared with the past three weeks. In spite of this increase the total failures for the month were only 1⅓% greater than for the shorter month of February, but the total number, 2604, was the largest on record for the month. Liabilities were also only fractionally greater than February, or $60.3 millions against $59.6 millions, though the largest for the month since 1924, when $97.6 millions were involved. The first quarter failures total 8,483 with liabilities of $214.6 millions. In number of failures this quarter establishes a new record, while as to liabilities, 1922 holds the record with a total of $218 millions. Compared with the first quarter of 1930, failures were 15% greater in number and 27% greater in liabilities.



Trends of the Markets In Money, Stocks, Bonds

Business did more financing through the bill market than in recent weeks. . . . The money market was undisturbed by large seasonal developments. . . . Bonds felt some reinvestment demand from dividend and interest distributions. . . . Stocks reacted drastically to continuing corporate adjustments and economic uncertainty.

Money Rates Unchanged Despite Seasonal Load

THE money markets came through this week, which covered both pre-holiday developments and the large end of the first-quarter transactions, without a flurry. The usual big increase in money in circulation as people prepared for spending during the Easter holiday was met by Federal Reserve purchases of bankers' acceptances on about an equal scale, bringing the total Reserve holdings to the highest point since the second week of the year.

The shift of funds occasioned by large dividend and interest payments April 1 was so well handled that not a change in money rates occurred. The only result, noted subsequently, was a re-investment demand felt in the bond market. In recent years these two events almost always have meant money rate fluctuations.

Evidence of the extreme ease of open market short-term money rates continued to crop up, and this week's action of the Reserve system in exactly meeting currency demands demonstrated again its determination to keep money easy. Large governmental borrowers are benefiting even if the hesitancy of banks to lend or of business to borrow, whichever you will, is somewhat limiting the benefits to business. The Federal Treasury got \$100 millions through a bill issue at 1.46% and New York City got a large loan at 1⅞%.

Some types of business were gaining advantages this week by financing near future needs through the acceptance market. The supply of these bills coming into the market was largest in several weeks. A strong investment demand, especially from Western banks, plus Reserve action in buying to meet currency demands, absorbed the supply, though dealers' portfolios increased.

The amount of funds on call decreased as brokers' requirements were cut down with the fall in stock prices. A spreading of the ease in funds is attested by several savings bank rate reductions, especially in New York and New England.

Market Watches Stocks For Signs of a Rally

STOCKS reacted drastically this week as the danger warned against last week materialized. After they had held up surprisingly well against much bad news, prices collapsed, penetrating the resistance levels of 7 weeks on the way down and wiping out nearly all of the February gains—the soundness of which was questioned in these columns.

All major classes of stocks were affected. Rails relapsed into their chronic weakness and went in large numbers to new lows for the year. Utilities suffered least, but receded from their recent highs. Industrials were shaky. The tendency of sales to increase on weakness was not an encouraging factor.

Expectations Aroused

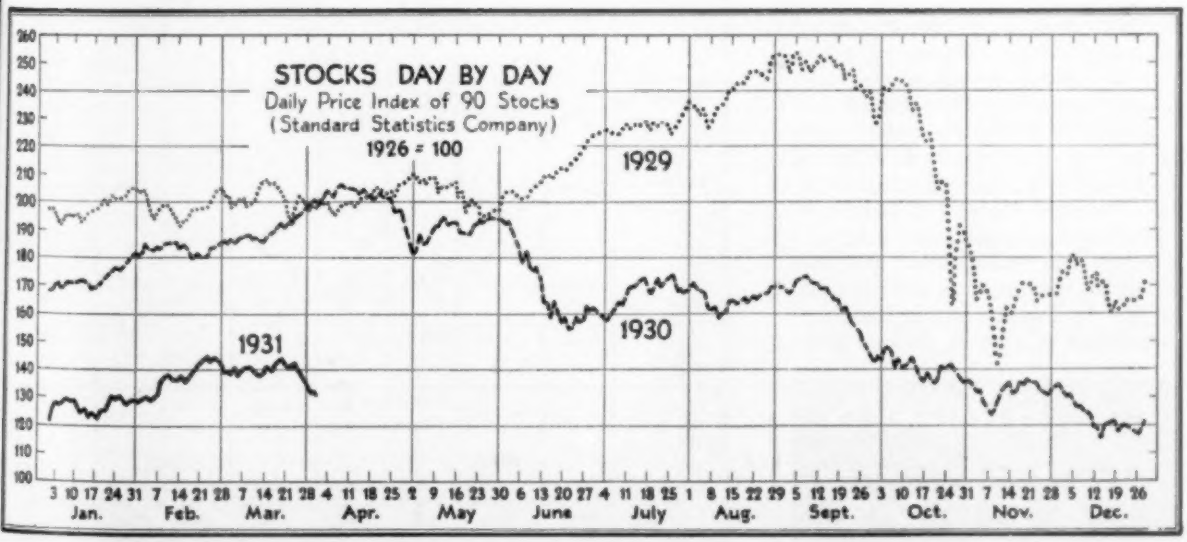
The extent and duration of the downward movement has been sufficient to arouse expectation of some rallying tendencies, since the market never moves in one direction for any great length of time. The chances of such a rally's being of wide scope or long duration are believed small.

The factors underlying the present move are the familiar ones and the business and financial news of the week, for the most part colorless, brought nothing to change them.

Dividends Explain It

Dividend compilations for March furnish an adequate explanation of what is wrong. Total payments for that month were 13% lower than a year ago, even though the compilation includes almost double the number of companies listed a year ago. The record, compiled by the New York *Times*, shows 115 dividend reductions and 114 omissions, a total of 229 unfavorable actions comparing with but 67 in the same month of 1930. The number of favorable actions was much smaller this year.

These widespread readjustments are inevitable in face of the long, sad drop



in corporate earnings—which the statisticians agree is far from ended.

Such a trend hurts stock prices badly, particularly when it must be coupled with the uncertainties in the agricultural field and other unfavorable factors.

Stock prices cannot fail to react to such trends until such a time as the readjustments are completed, or until a sufficiently large number of investors can see a clear enough promise of rising business activity to cause them to buy.

Re-investment Demand Bolsters Sagging Bonds

Bonds sagged irregularly downward most of this week, following much the same trend as last. Utilities and governments held up much better than other groups. At the close of the week rallying tendencies appeared. The decline in rail issues was halted just at the year's opening quotation level. Industrials were halted just above that mark. The foreign averages continued to sink but several individual securities were stronger.

The week brought some new developments of significance to the market. Large dividend and interest disbursements Apr. 1 resulted in a considerable reinvestment demand. This was largely responsible for the rally. Unfortunately, a rally on such a basis only is not very encouraging.

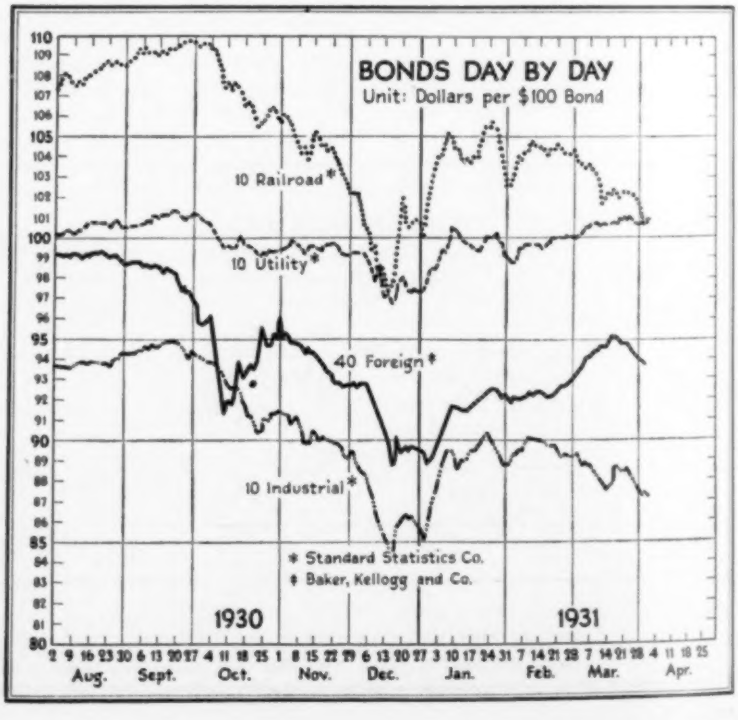
The week also brought new unsettling factors—such as for months have seemed to put in an appearance every time the market looked about ready to rise. Abroad came the partial default by New South Wales, the Peruvian default, the German dictatorship, the Central American earthquake. Domestically there is growing realization that if earnings and deflation become sufficiently bad, bond- as well as stockholders can suffer. The increasingly uncomfortable position of the Treasury adds uncertainty.

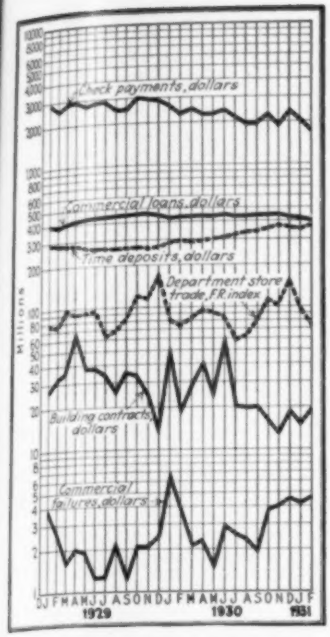
But new issues—borrowing—continue at a substantial rate. Those who look only at totals, though, are apt to be deceived as to the amount of money business is getting. This week's offerings, for instance, were about $100 millions (some $30 millions below last week), of which utilities took half and municipalities and states a third.

New Issues Heavy

Complete compilations for March by the New York *Times* show total new issues of $696 millions, highest since January, 1930. States and municipalities took a little less than half of this, and their total was highest for any month for many years. Railroads came next, swollen to an unusual high total for March by the huge New York Central and Pennsylvania issues.

April maturities of bonds and notes are very high, more than double March and well above a year ago, indicating a considerable volume of refunding issues during this month.





PHILADELPHIA BUSINESS—*The graph shows* ***both equal rates of*** *change* ***and absolute amounts.*** *It is the* ***third of a series*** *showing* ***business trends by districts***

New Treaty Rumors Stir Watchful Europe

EUROPEAN NEWS BUREAU (*Radio*)—Echoes of the Austro-German customs union proposal continue to reverberate through Europe's political halls. As the leading topic of conversation, certain facts reflect the trend of thinking:

Political neutrals uniformly endorse the economic advisability;

Political opponents—notably France and Czechoslovakia—claim it is a flagrant violation of treaties;

If the consolidation is tantamount to a customs union, it violates treaties; if not, it automatically admits all other countries, grants to most-favored-nation treaty partners reciprocal tariff privileges;

France Must Wait

Britain has declined to join France or the French allies in an outright protest, which forces France to limit its own action and await the decision of the League of Nations;

Germany is reluctant to submit the issue to the League, but fears the loss of neutral sympathy which might follow its failure to do so;

Austria and Hungary, at the last minute, are reported to be negotiating a treaty incorporating plans for preferential treatment of exports. The move, if effected, would support France's jealous fears that Germany has outmaneuvered Briand. If rumors, now current, that Austro-Jugoslav and German-Roumanian trade negotiations are under way, France's worst fears would be justified, but an economic union of European states would be nearer realization than at any previous time.

It is now definitely known in Europe that the initiative pushing the plan at the last minute came from Vienna, not Berlin, was due to the fear in Austria that economic exigencies demanded prompt support either of the move from the Danubian states for economic union, or of the older German bid for an economic alliance.

A Double Play

If now, having finally accepted the German offer, Austria is able to bring into the union other Central and Balkan states, the benefits of both plans may come to Austria, and Europe may be started on the way to a practical customs union.

Survey of February Business by Federal Reserve Districts

(Percentage changes from preceding month with no adjustment for seasonal or secular trend, but allowing for differing number of business days, excepting in department store trade by districts)

Federal Reserve Districts	*General Business*	*Commercial Loans*	*Time Deposits*	*Check Payments*	*Department Store Sales*	*Building Contracts*	*Commercial Failures*	*Savings Deposits*	*Life Insurance Sales*	*Prime Commercial Loan Rates (Cities)*
BOSTON	More promising	—1.3	+0.4	— 7.4	—26.3	Home +60.1 Total +55.7	Number —10.9 Value —71		+22	3½—4½%; Little change
NEW YORK	Not much change	—2.3	+3.6	+0.8	—9	Home +97.1 Total +37.3	Number —23.4 Value —23.7	+0.8	+19.9	3½—4½%; Little change
PHILADELPHIA	Some improvement	—4.7	+7.3	—2	—6.7	Home +115 Total +51.7	Number —29.7 Value +31.7		Increase	3¾—4½%; No change
CLEVELAND	Looks a little better	—0.2	+0.7	—17.1	—5.4	Home +19.2 Total +8.4	Number —6.1 Value —29.6		+28	4—6%; Increase ½%
RICHMOND	Unchanged	—1.5	+2	—3.2	—6.6	Home +113.8 Total +7.9	Number —7.7 Value —35.2		+17.5	4½—5%; No change
ATLANTA	About the same	—0.8	+0.8	—4.4	—1.5	Home +55.8 Total +34.7	Number —11.7 Value —22.1		+15.3	4½—5%; Easier
CHICAGO	Some encouragement	—2.8	+2.2	—6.9	—5.3	Home +22.4 Total +7.9	Number +12.4 Value —53.5		+25	3½—4½%; Wider spread
ST. LOUIS	Little change	—2	+0.5½	—9.6	+0.4	Home +18.6 Total +11.1	Number —11.8 Value +26		Increase	3½—5%; Wider spread
MINNEAPOLIS	More promising	—3.6	+0.5	—3	+2.2	Home +73.5 Total +151.3	Number —11.4 Value +425.5		+23.4	3—4%; Easier
KANSAS CITY	Slower	—4	+0.4	—6.5	—9.2	Home +13.7 Total —32.3	Number —23.4 Value —21.8	+5.6	+19.4	4½—5%; No change
DALLAS	Not much encouragement	No change	+1.2	—1.3	—10.5	Home +51.8 Total +11.6	Number +6.1 Value +30		+27	4—7%; Firmer
SAN FRANCISCO	Sagging tendency	+0.2½	+0.8	—6.9	—14.4	Total +4.8	Number +41.3 Value +245.7		+14.5	4½—5%; Easier
UNITED STATES	No important change	—1.9	+2	—2.9	+2.5	Home +69.4 Total +22	Number —8.6 Value —255	Moving upward	+21.7	Very small change

The Business Week summary from original material: Federal Reserve system statistics for department store sales, check payments, money rates, and reporting banks; cooperation of 10 Federal Reserve banks for districts noted for savings deposits and other indicators; building figures from F. W. Dodge, commercial failures from Dun's, and insurance data from Life Insurance Sales Research Bureau

THE BUSINESS WEEK

The Journal of Business News and Interpretation

April 8, 1931

The Very Devil

THE violent condemnation of the Farm Board's stabilization activities and the I-told-you-so rejoicing at its recent abandonment of them make us a bit sad. So, too, the threats of stronger doses of stabilization medicine from farm politicians cultivating votes. All these reactions, justified or not, show that the real significance of the issue involved has been missed.

Yes, there is plenty of politics in it, and mistaken judgment and bad economics. We, too, believe that the board's efforts to raise or fix prices have been the weakest and least essential part of its work. But we are most interested in what these efforts, and many others like them, mean.

For stabilization was only a surface symptom of the deep-lying disease of deflation, which farmers, Farm Board, and many other groups have been fighting in their own way, with such medicine as they could muster and according to their lights. Long before the Farm Board's unfortunate experiment was undertaken, for years before the crash of 1929, industries and governments here and abroad felt the fatal pressure of this process and sought to resist it, blindly and desperately, by production, price, and sales controls, by tariffs, bounties, and protective arrangements of one sort or another.

Let no one imagine that so universal an effort to maintain price levels was a mere contagious accidental delusion. Delusion it was, sure enough, this idea that by deliberately restricting production or distribution we can increase the world's wealth; but it was a delusion induced in its diverse victims by a common underlying condition—that cramping contraction of credit relative to the requirements of the world's expanding wealth-producing power which revealed itself in many ways before the crash—perhaps ever since 1925.

When producers of commodities of almost every kind in every country, with the most widely differing conditions of production, marketing, and consumption, have for years been launching their frail projects of production and price control like pathetic arks on the tide of deflation, we may well be more impressed by the force of the flood that overwhelmed them than by the economic folly of their efforts to keep afloat in it.

More striking still should be the fact that, although one after another of these ventures has foundered in the storm, the survivors and others still keep launching them in the desperate attempt to save their rubber, their tin, their zinc, their sugar, and what not from going to the bottom. All the caustic commentaries of economists echoing each other, all the smug sermons of the laissez-pharisees do not dissuade them; for they are driven by a devil against whose pervasive power they know not how to protect themselves otherwise.

Whether over-produced or under-produced, controlled or uncontrolled, subsidized or unprotected, commodities and values of every kind succumb sooner or later to the insidious universal force of a general deflation. Soldiers' bonuses, tax deficits, debt defaults, agitation for revision of our anti-trust laws, are symptoms of the same hopeless struggle against a changing standard of value.

As Sir Josiah Stamp said recently: "It is well that every aspect of the world's inability to control its industrial progress on scientific lines should be fully explored, and every local and temporary expedient or palliative applied. But it is vital to realize that without control of the fundamental factor in operation—the collapse of price levels due to credit contraction—no rationalization of technique, no freedom from restraints, no initiative in the human element, no control of public expenditure, can avail to keep a complicated civilization from drifting into peril and even disintegration."

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